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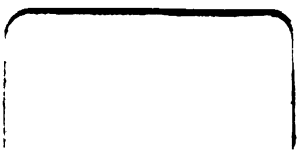

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WORK AND WAGES

Part II.

WORK AND WAGES:

In continuation of
Lord Brassey's 'WORK AND WAGES'
and 'FOREIGN WORK AND ENGLISH WAGES.'

Part I. FOREIGN COMPETITION.

By SYDNEY J. CHAPMAN, M.A.
With an Introduction by LORD BRASSEY,
G.C.B., D.C.L., LL.D.
Medium 8vo., 7*s.* 6*d.* net.

LONGMANS, GREEN & CO., 39 Paternoster Row, London
New York, Bombay, and Calcutta

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PART II.

WAGES AND EMPLOYMENT

BY

SYDNEY J. CHAPMAN, M.A., M.COM.

PROFESSOR OF POLITICAL ECONOMY AND DEAN OF THE FACULTY OF COMMERCE
IN THE UNIVERSITY OF MANCHESTER

WITH AN INTRODUCTION BY

LORD BRASSEY, G.C.B., D.C.L., LL.D.

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CORRESPONDANT DE L'INSTITUT DE FRANCE

LONGMANS, GREEN, AND CO.
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INTRODUCTION

THE work of which this book is the second volume was designed to bring up to date the subjects dealt with in *Work and Wages* (1872) and *Foreign Work and English Wages* (1879). The first volume dealt with the relative efficiencies of the leading countries in the great industries, and particularly with the efficiency of labour. It was intended that the second volume should cover the other subjects treated in the two books already mentioned. The collection of information proved to be far more copious than was at an earlier stage contemplated. The present volume therefore is confined to the important subjects of *Wages and Employment*. A third and concluding volume will deal with other subjects of deep interest in the same connection, including the progress made in factory legislation, co-operation, and, to use a comprehensive term, social betterment. The reader will keep in view that the work of which the second volume is now offered to the public is largely in the nature of a report on the present aspects of those problems connected with work and wages and the efficiency of labour, with which I attempted to deal

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in years long past in the volumes to which reference has been made. For this reason it has been thought desirable to cite and quote authorities extensively. The work is not confined, however, to collecting the opinions of others; attempts have been made in addition to sum up the evidence and frame independent judgments on all important points. Each of the three volumes of the present work is intended to deal with a more or less complete subject. It is believed that this method of subdivision may be for the advantage of readers and students of economic problems.

This second volume is due to Professor Chapman's labours, unaided except for some valuable assistance from Mr. Douglas Knoop. To one who has not shared in those labours it is possible to express appreciation unreservedly. The volume under notice opens with a mathematical investigation of the several factors which determine the rate of wages. Theoretical analysis and practical considerations point the same way. Wages depend on the value of the work produced. As the value increases, wages rise. As the value diminishes, wages must decline. Organisation may accelerate the upward movement, or retard the inevitable fall, when trade is dull. Neither trade organisations nor wages boards, can compel employers to retain workers in employment on unremunerative terms. Profits must be sufficient in amount to cover interest on capital, and reward the labour of direction and supervision. Competition

is intensely keen. Its effect must always be to keep down profits to the mean level.

If the influence of Trades Unions as a determining factor in relation to wages is sometimes exaggerated, their many services are not always sufficiently recognised. It may be claimed for the Unions that they promote settlements by peaceful means. They provide for their members expert advisers and diplomatists. They check the enormous friction caused by innumerable individual bargains. They raise the efficiency of labour by professionalising it. They elevate the average of self-respect and character. They raise the standard of living, and improve—apart from wages—the conditions under which work is done. There is more thought for the future in the group than in the average individual. Worthier ideals are set up as to work and workmanship, and as to life and conduct. On all these points Professor Chapman fittingly insists.

The second chapter deals in ample detail with the organisation of labour. The history is traced from the period when combination laws were stringent to the larger liberty of the later days. The Acts which have in recent years been placed in the Statute Book, the latest discussions in Parliament, the decisions of the Courts, and the reports of Royal Commissions fill many interesting pages.

Turning to the United States, in the beginning, Trades Unions were regarded with needless alarm. The legislation in the leading industrial States was

repressive. Public opinion has changed. It has been found by experience that trades in which unionists are numerously employed have greatly flourished. The former restrictions have been relaxed. Trades Unionism in the United States presents distinctive characteristics. Socialistic ideals find few adherents. The older Unions are essentially conservative.

In France the recognition of Trades Unions was long delayed. It began with the Act of 1884, the provisions of which are set out in full detail in the following pages. Under the Waldeck Rousseau Cabinet, and under the inspiration of M. Millerand, who held office in the Cabinet as Minister of Commerce and Industry, many measures were adopted, giving further rights to the Unions. They are empowered to trade. They act as advisers to the State on wages and unemployment. They act as Courts of Arbitration. In France labour organisation is more Socialistic than in the United Kingdom or in America. The workers, who have no sympathy with the Communist ideal, hold aloof from the Unions. Trades Unionism has had little influence on the rates of wages and the general conditions of trade.

In Germany the Labour movement drew its first impulse from the Social Democrats, and was in its initial stage mainly political. In recent years Trades Unions have become more independent of political parties. Their demands, as recently formulated by

the Hirsch-Duncker Associations, are not unreasonable. They include :—

I. A living wage.

II. Limitation of working hours to ten.

III. Avoidance of work, as far as possible, on Sundays and at night.

IV. Protection of women and children.

V. Protection against oppressive labour.

VI. The establishment of permanent Boards of Arbitration.

The Christian Unions are another organisation, having for their chief aim the extension of co-operation, and the efficient administration of existing social laws. Trade organisations have exercised no appreciable influence on the rates of wages.

In two Appendices to the second chapter full statistics will be found relating to Trades Unions, together with a collection of leading cases bearing upon the civil liabilities of Trades Unions in England.

Chapter III. deals with the policies of Trades Unions. The author has closely followed the latest developments in England and the United States. It is shown how Trades Unions have sought to check recruiting for the skilled trades by limiting the number of apprentices. In other ways their restrictive rules have been a hindrance. The obstacles thus created have been less serious than might have been expected. The British industries which most depend on the skilled labour of Trades Union workers

have been well able to meet competition in open markets. In home industries labour-saving machinery has been increasingly used, and better methods of work have been adopted. When the Royal Commission on Trade Unions entered upon their inquiries, building operations were seriously hampered by restrictive rules. To-day the master builders of London can hold their own with those of every other great city at home or abroad, whether in workmanship, rate of progress, or lowness of cost.

The objection to labour-saving machinery has not wholly disappeared; it is felt also in the United States. Trades Unions have been unable to prevent the extended use of labour-saving appliances. Where wages are high, costs of production, unless kept under by labour-saving appliances, must involve a rise of prices, and consequent diminution of consumption, with results disastrous to the workers from the inevitable loss of employment.

The chapter on the Principles of Industrial Peace deals with all the methods of adjustment which have from time to time been devised, including sliding-scales, arbitration, and Courts of Conciliation. In England compulsory arbitration is disapproved by large majorities at the Trade Union Congresses. It is not popular in the United States. In the peaceful settlement of trade disputes by voluntary reference to arbitration, the experiences of England have been long and honourable. The names of Mundella and Rupert Kettle are mainly associated with the earlier

history. Lord James of Hereford has a noble record. Mr. Lloyd-George has rendered conspicuous service in the same good cause. Nor can an Ex-President of the London Chamber of Commerce omit the name of Sir Samuel Boulton. And these are only a few among the many who have laboured with success in the cause of industrial peace.

In Australasia, where arbitration in several States is compulsory, the results have not been always satisfactory. Full information as to experiences and legislation in the daughter States has been brought together in the present volume.

In the adjustment of trade disputes, and in preventing their occurrence, Courts of Conciliation have been the most successful means as yet devised. They have been strongly recommended by the Industrial Commission recently appointed by the Government of the United States. When employers and employed are accustomed, whether formally or informally, whether occasionally or at regular intervals, to discuss in friendly conference the general terms of the labour contract a spirit is developed which makes it an easy task to adjust difficulties by peaceful means. The misunderstandings, so often the source of industrial disputes, can usually be removed by friendly discussion between the parties and the members of the Board. More serious matters of difference can often be settled by mutual agreement in this informal manner.

Regular periodic deliberations between the em-

ployers and the representatives of labour gradually lead each side to appreciate the view of the other. Conciliation Boards cannot be quite satisfactorily constituted without the aid of Trades Unions. They send to the Council table duly accredited representatives, and secure the faithful observance of agreements between employers and employed. On this point we have the testimony of the Royal Commission appointed in 1894 especially to examine the conditions of labour.

In regard to those industries which were conducted on a large scale, and required the co-operation of great bodies of skilled and trained workmen, the evidence of all the witnesses pointed to the conclusion that, on the whole, and notwithstanding occasional conflicts on a very large scale, the increased strength of the trades organisations had tended to the maintenance of harmonious relations between employers and employed.

Professor Chapman fully describes the work accomplished by Courts of Conciliation in foreign countries—by the Conseils de Prud'hommes of France and Belgium, and by the corresponding Gewerbegerichte of Germany. In the United States the National Civic Association is a powerful organisation for the advancement of conciliation. A tribute was paid to its successful working in the Report of the Moseley Commission.

Turning to the settlement of wages by Boards appointed by public authority, the results of recent

legislation in Australasia will be noted with interest. Victoria took the lead in Australia, two years after New Zealand had launched her scheme. In no city in the world were the standard wages for skilled workers on a higher level than in Melbourne. Many workers in unskilled trades were in a pitiable condition. Public opinion was deeply stirred. The legislature took action. Boards were constituted with power to fix minimum wages and settle the number of apprentices. The system has been extended. There are now thirty-eight Boards in Victoria. In the regulated trades sweating has been greatly reduced. The level of competency has been raised through the dismissal of the less competent. The use of labour-saving methods has been extended. All this is good. It is, however, important to observe that the workers in the regulated trades are only 40,000 in number; and we have yet to learn how it will fare with the masses whose labour is unskilled. In Melbourne, on the first establishment of minimum rates of wages, the less efficient hands were discharged in large numbers. These unemployed persons gathered in crowds round the offices of the Government. They were clamorous for official permission to work for wages below the standard scale. A Commission (1903) recommended that a clean sweep of the Wages Boards should be made, and that the system of Industrial Courts for the settlement of disputes as to wages should be adopted in its stead. The effect of enactments relating to labour generally is summed up

by Mr. Reeves in his volumes on 'State Experiments in Australia and New Zealand.' 'Let me,' he says, 'once more emphasise that if the New South Wales and West Australian Acts succeed, these will, as a matter of course, have far deeper and wider effect on industry than the mere substitution of arbitration for industrial war. Their success will mean state regulation.'

In this connection it is an obvious remark that the Australian Parliaments are ever ready to try experiments boldly which are here deemed hazardous. National wealth in Australasia is drawn mainly from the natural resources, from food and wool, the precious metals and minerals. If the rainfall is abundant, and the mines are productive, the country is prosperous. If the chief industries are hampered by oppressive legislation, the consequences are less keenly felt. These industries are as yet in their infancy. The conditions differ widely from those of the mother country. In Australasia labour legislation is not always sufficiently considered. If the results are contrary to expectation, the Parliaments are not slow to repeal or amend.

The chapter dealing with Unemployment is exhaustive. In regard to unemployment, our British returns compare favourably with those of any foreign country or British possession. Labour Exchanges afford the means of pooling demand and supply. The workers must do their part. Savings should be

accumulated when earnings are liberal. Our British workers are not pre-eminent for forethought and prudence.

The concluding chapter of the present volume deals with Workmen's Insurance and Old-age Pensions. It is specially important in contemplation of measures about to be proposed to Parliament. Professor Chapman has shown that in all the leading industrial countries, with the exception of the United States, public opinion has been in favour of the wider schemes of compensation for accidents which have, by recent legislation, been established.

The German system of workmen's insurance is unique in its completeness. No less than 15,000,000 people are insured. Contributions from all in employment, against sickness, invalidity and old age, are compulsory. In England no Government would venture to propose a compulsory system. Where contributions are enforced by law, and commence at an early age, the charge is kept down to an imperceptible fraction of the amount earned in wages. In Germany an insured workman, having a weekly salary of 24*s*., contributes 6*d*. a week, which entitles him to sick relief not exceeding 11*s*. 9*d*. In the case of old age or invalidity assurance, a workman with a yearly salary of 58*l*. 16*s*. pays a weekly contribution of 2*d*., the employer paying an equal amount. At the age of 66 years the invalidity pension amounts to 22*l*. 1*s*. per annum. If at the age of 70 this workman is still able to work he receives an old-age

pension of 11*l.* 5*s.* When State insurance was initiated by Prince Bismarck, in 1881, the new policy was commended to the Reichstag in the Emperor's message, on the ground that the cure for social evils should be sought for, not in measures of repression, but by the active furthering of the workmen's well-being. The national industries of Germany have not been damaged by the adoption of a comprehensive scheme of insurance. The boon, which a compulsory State system has given to workers in Germany, has in England been provided to a large extent by the Friendly Societies—for the most part admirable in their management. Their members number no less than 13,000,000.

It will be seen that Professor Chapman does not advocate universal old-age pensions. He estimates at a very limited number those aged persons who could leave the workhouse, even were pensions of 5*s.* a week available. He insists that old-age pensions are in the nature of a benefit that dies with the recipient, while expenditure incurred with a view to secure the highest possible development of the rising generation in health, strength, and intelligence, will be more effective in raising the moral and material condition of the people. The curse of poor children is widespread, and poverty cuts them off from opportunities. They pass unprofitably the years in which, under happier conditions, they should be acquiring skill in a useful trade. Parliaments cannot deal with poor-relief on

an individualising system. It is admitted that the aged and infirm are fitting objects of the public care.

As interpreted by Professor Chapman, political economy is no gloomy science. His writings are not those of a pessimist. He pursues the study of economics diligently, amid environments which are a stimulus and an inspiration. Manchester University is a fitting centre for collating and comparing theories and practical experiences.

Reviewing the relations between employers and employed in the present and the past, there is much in the chequered record which is gratifying and full of hope for better things in the future. We see the evidences of a real amelioration in the condition of the workers, and in the less frequent recourse to the arbitrament of industrial war by strikes and lock-outs. Trade and commerce have flourished. It seems more practicable now than formerly to carry on services for the general advantage by collective effort. It is to these that the aims of social reformers should first be directed.

In dealing with the subject-matter of the volume now offered to the public, attention has been mainly centred on the workers. Let us not fail to pay a fitting tribute to the skill, energy, enterprise, and integrity with which industry and commerce are directed. The employed owe more than they know to their employers.

BRASSEY.

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WAGES AND EMPLOYMENT

CHAPTER I

ANALYTICAL GROUNDWORK [1]

THE subjects to be treated in this introductory chapter are the practical aspects of the theory of wages and the question of the guidance which theory may afford to those who are attempting to improve the conditions of labour.

We shall begin by supposing that all factors in production are factors of marginal capacity—that is, as regards labour, those whose capacity is not such as to win for them, in circumstances of free competition, extra remuneration above that earned by any other persons doing the same work. This is a perfectly legitimate procedure. So far as factors are super-marginal in efficiency, problems relating to them may be solved by reference to the solution at the margin and the measurement of their departure from the margin. [2]

[1] Readers who are not interested in questions of theory are advised merely to skim this chapter or omit it altogether. We desire to express our obligations to the Manchester Statistical Society for permission to incorporate a paper read to that Society.

[2] It is important that the reader of this chapter should clearly comprehend the use of the terms 'margin' and 'marginal' in modern

It will probably prove enlightening to conceive of the demand for labour of all kinds as proceeding ultimately from a number of possible systems of production. These systems are to be regarded as competing with one another; the victory of the one that survives at any time is determined by conditions that we shall examine later. The systems that prevail at any particular moment must not be taken as constants, except for a short period, for the struggle between the possible systems is continuous, A stationary state is impossible in a society of any vitality. Inventions are made, new qualities of labour appear, the proportions of the classes in the community alter of themselves apart from the influence of economic incentives, and, to suit the latter variations alone, changes in productive systems are essential, though there may be a complete dearth of ideas relating to the organisation of production.

Change in the productive system, then, we may say, is occasioned from two sides. From the one side, out of the spirit of investigation, proceed ideas; from the other side appear alterations in the elements to be co-ordinated.

Let us state in more concrete form, merely as an

economics. Some unnecessary confusion is caused by one expression being applied with two distinguishable connotations. Thus we speak of a 'marginal thing' and 'the marginal use of a thing.' The latter refers to the use of the last person or increment of a thing which it is only just worth while engaging or acquiring in view of the cost. Thus, if I employ 100 men for a particular purpose, the difference between the value to me of ninety-nine men and 100 men is the marginal worth to me of labour of the kind in question, or the worth to me of labour at the margin. The marginal supply price of 100 men is the wage at which just 100 men of the kind required would offer themselves. Now the 'marginal man' in this case is the man who is only just efficient enough to be employed for the purpose in question when 100 are going to be employed.

aid to the imagination, the conception sketched above of the competing productive systems. Suppose the productive factors in a community are A, B, C, and D. We need not pause here to define the productive factors. It is of importance, of course, that classifications should be made to suit different objects, but for the present discussion a classification is not necessary. Now A, B, C, and D may be arranged in a great number of ways (it being assumed that their quantities may be taken as variables), and these several groupings will have different values productively.

Let x be a unit of value of the output, and suppose that the numbers before A, B, C, and D represent measurable quantities of those factors, then the potential productive systems under the conditions supposed, and their utility, could be represented somewhat as follows:

$$\begin{aligned} 20A + 100B + 100C + 100D &\text{ produces } 1{,}000x; \\ 20A + 125B + 125C + 50D &\text{ ,, } 1{,}200x; \\ 10A + 50B + 60C + 200D &\text{ ,, } 800x; \end{aligned}$$

and so forth.

The distinguishable productive elements in an advanced community are so many, and the variety of their grouping is so great, that it is somewhat difficult to imagine the facts under these simple formulæ. Moreover the formulæ given are defective because they do not represent the organic character of each of the systems. Production to-day is carried on in very large units, of which a big factory is typical. But the unit of production in one sense may be something larger than a group contained in

a factory, since some businesses have many factories. However, even in such cases, the factory is one significant unit to be taken into account. In the factory there are many kinds of labour associated for a common purpose which are held in union by organisation. Regarded in one light, each element in the factory is part only of a productive whole. Here, then, is one organic unit for which a formula might be written. But even in the same trade all factories are not arranged alike. Hence in each trade a war of rival systems is waged, the factory that might be written 10A + 8B + 19C struggling for survival by virtue of economical working with the factory having a scheme of arrangement 7A + 11B + 12C + 7D. For instance, some employers save on labour and others on capital. The working out of the best scheme under a given set of conditions takes place by a process of substitution. Needless to say, there may be more than one method presenting maximum economies in any trade; usually, indeed, if a trade be viewed internationally, two or more fundamentally different plans of production will be found in occupation. Moreover, it must be remembered that what is ostensibly the same trade may be in essentials two or more trades.

Let us suppose that two or more schemes of production tend to be realised in any one trade. Then we may theoretically sum the results, allowing for the degree in which each has succeeded in establishing itself, and write a formula for the trade as a whole.

The competing schemes of production relating to any particular trade might be grouped according to certain broadly distinguishable types. Numbers of

the productive schemes are variations only from these types, according to certain small differences in the conditions to which they are subject. An industrial leader selects his type of productive system, and then adapts it to its work by varying slightly the quantities of the various factors of which it is compounded. Each must be utilised until its marginal value equals its cost, so far as its marginal value is discoverable.[1] This pruning and grafting of productive systems proceeds continuously, but the substitution of type for type is a more serious matter. The resultant of the processes described is a unity of inter-related systems, which is subject to continual modifications, whereby it is adapted to changes in demand, in the character and relative quantity of productive agents, and in ideas.

A question of some importance is that of the rate at which the various sorts of changes in productive forms normally take place. It is also of importance to understand the conditions under which the rate of accommodation is accelerated. The relation of the rate of change and the possible rate of change to the rates at which the producing power of the community is diverted, and can be diverted, gives the key to the immediate and short-period effects of industrial reconstruction on the several classes of the community. Something may be understood of the possible rapidity of alteration in an industry from the normal life of the types of fixed plant employed. It would be an interesting exercise in accountancy to find some rough expression of the time needed for changes in each type to take place naturally. Such estimates

[1] For explanation of the term marginal, see note on pages 1 and 2.

would afford some measure of a society's capacity to undergo vital changes without suffering severe shocks. Hitherto no such measurements have been attempted, so far as the writers are aware.

The formulæ given express in the mass the demands for various sorts of labour. The relative quantity of each kind of labour that will be elicited depends partly upon the supply prices of different kinds of labour, which constitute, naturally, one group of the determinants affecting the survival of productive forms. With the conditions under which a particular form establishes itself we shall deal in more detail after considering some of the laws governing the appearance of labour of diverse qualities.

On the side of supply the community must be regarded as potential productive power, which may crystallise in innumerable forms. At any one time much is crystallised and incapable of being transmuted into other forms, much is mobile in respect of form within certain limits, much is uncrystallised and ready to assume any one of many characters. There is the highly specialised labour which is quite powerless to change its avocation; there is the labour which can be transferred with comparative ease through a certain group of industries; and there is the rising generation on the eve of choosing a calling. The range of forms that lie within the choice of any one person is governed by that person's potential capacities, education, environment (including the vague conditions that we term 'opportunity'), the degree in which a specialised calling has been assumed, and the character of such specialisation as has been assumed. We may take

it, moreover, that with certain limitations variable proportions of each class of labour will be forthcoming at different relative remunerations. Society may crystallise in the form 100A + 200B + 300C, given certain conditions; but if A's remuneration be improved, the remunerations of B and C remaining as before, the balance of forces having been disturbed, there will be a tendency, say, for 110A + 196B + 294C to appear.

In connection with the emergence of workers of each class several points must be noted. The absolute quantity of workers, as well as their distribution, is determined by relative remunerations. But this point we shall not dwell upon at the present time. Again, so far as the form of the labour power of the country is dependent upon wages, it is dependent very largely upon the *ratio* of wage to wage. It is true that an increase of all incomes in an equal ratio would alter the proportion of the various classes in the next generation, partly because it would increase people's power to place their children, or even themselves, in spheres different from those already occupied by them; but while within a given circle of callings this effect of an increased wage might be inappreciable, an alteration of the ratio of incomes earned in that circle of callings would have a considerable influence. How and to what extent the augmented absolute wage will affect a particular group depends upon the relation within that group of the *will* to push higher to the *power* to push higher, generally speaking.

What chance have people of rising from one class to another class? This is not a question with which

we can deal in detail now; but we think we may regard it as generally true to-day that certain groups of callings can be defined within each of which the rising generation exercises fairly free choice, but between which there is much less mobility of labour. These groups constitute what Cairnes called 'non-competing groups.'

Let *a*, *b*, *c*, ... *l*, *m*, *n*, be classes of labour of which *n* is the worst paid and *a* the best paid, the other classes being remunerated at intermediate rates, according to their position in this scale. Then may we assume that the following represents approximately the state of affairs as regards the resultant of the forces at work upon the supply of labour, ignoring for the moment increases of the population? If *n*'s wages be advanced, the number in *n* will be reduced, since the power to move factors from *n* into *m* is disproportionately weak in comparison with the will to do so. But if *b*'s income be raised, the number in *b* will be augmented, owing to the greater relative attractiveness of *b* over *a* and *c* after the change, it being supposed that previous to the change the power within *b* to advance into *a* was more than sufficient to give effect to any will to do so. Power and will, we are fully aware, cannot be taken as independent in this connection. The intensity of effort required to make the step upward influences the will to take the step. Nevertheless, the contrast drawn above between these two forces will serve to make clear the general idea that we wish to convey, without creating a false antithesis, if this qualification be borne in mind. Further, may we assume that these tendencies for opposite effects to be produced by increased

wages at the extremes of our scale of labour are neutralised at some intermediate point in the scale, from which in either direction the tendency peculiar to the extreme approached is constantly strengthening? Quantitative analyses would have to be made before definite replies could be furnished to the questions propounded. Again, are there almost unbridged gaps in the scale of which we speak?

Let us examine in somewhat greater detail what we understand by competition between the various classes of labour. In our scale, a, b, c, ... l, m, n, contiguous classes are, no doubt, in fairly effective competition, either directly or through the medium of the rising generation. However, even in the case of contiguous classes there may be an appreciable curtailment of competition. But as between classes separated by intervening classes competition tends to be less acute according to the magnitude of the dividing space. Effective competition on the side of labour supply proceeds from strictly confined regions. For instance, as between a and n, it may be taken as almost non-existent, even though the potential grounds for substitution as between a and n might exist. Yet n is not wholly shut off from a. Over a period of one generation, or two or more generations, elements from n are brought into a. But whether this is of much economic importance—that it is of political importance is undeniable—depends a good deal upon the possibility of some proposition being laid down to connect the economic qualities of the children with those of the father. Whether such transmission of economic qualities as there is takes place chiefly through the operation of physiological forces, or

through the influence of the parents working upon the children directly and through their education, it is not important for our present purposes to inquire.

The numbers in each class of labour are continually varying, and the external effects may be read in the decennial censuses. But the census returns tell nothing of the channels through which change has been brought about. Moreover, without there being external effects there may have been internal changes. Thus in two periods the ratios of *b* to *c* may not have altered, but in the intervening years *b* may have lost to *c* in respect of some of its members, and gained recruits from *c* in their place. It would be of great value to economists and social reformers if the quantity and direction of these movements could be gauged.

It is not our intention to repeat here in detail the theory of the equilibrum of demand and supply, as they bear upon labour, which is now commonly accepted.[1] Broadly, we may take it that the forces of competition and substitution tend to cause each class of labour to obtain as earnings the value of its marginal productivity; or, if that be not discoverable, the value of the marginal productivity of labour of the same quality otherwise employed. Employers work to secure the most economical combinations; the more efficient factors displace the less efficient; and no factor is applied the cost of which exceeds the value of the produce gained from its application. But this must be clearly understood, that, owing to

[1] It is set forth at length in Professor Marshall's 'Principles of Economics.' A critical essay upon certain aspects of it by Professor Edgeworth will be found in the *Quarterly Journal of Economics* for February 1904.

social friction, wages are determined only within limits by the worth of the marginal productivity of labour. Remunerations so governed react on the supply of labour of the various kinds, as has been described above.

There has been some discussion as to whether the same theory will explain the incomes for working obtained by the employing factors in production.[1] Do they earn the equivalent of the worth of their marginal product, no more and no less? Clearly there is no person who watches the marginal productivity of employers as they work in different proportions to other factors, and varies the amount of employing labour used in consequence. One way out of the difficulty is to suppose that the same classes of people become A or B (B being a highly paid employee position, such as manager of a joint stock company, and A designating employer), and are guided in their choice by the relative incomes obtainable in the two callings, together with the other attractions of each. In this case A's earnings would at least equate to the value of the marginal product of B, supposing the attractiveness of the two positions to be identical. The objection to this argument is that the salaried manager *quâ* employed official is never fully the undertaker—or 'enterpriser' as the Americans phrase it—and if the two are almost identical, as they would be were a wealthy corporation of capitalists to employ persons to design and work businesses, giving them unrestricted liberty, then *ex hypothesi* the incomes which it would pay to assign to such

[1] *E.g.* Professor Edgeworth's article in the *Quarterly Journal of Economics*, February 1904.

officials would not necessarily equal the marginal products of such officials.

It has been argued in an article in the 'Economic Journal,' which is somewhat too technical to be repeated here without the aid of symbols, that the employer's remuneration tends in the long run to equal, fall short of, or exceed the value of his marginal product, according as returns increase at a constant, increasing or decreasing rate, when the factors in production are added to proportionally.[1] The argument assumes that certain typical forms of production tend to establish themselves in each industry as described at the beginning of this chapter, and upon this assumption its validity rests. Were no uniform types discoverable among businesses the doctrine would obviously fall, because of the insufficient similarity in the work done by employers in the same circumstances. Otherwise the doctrine would seem to be well founded in respect of ultimate tendencies, and to justify us in holding that the remuneration of the employer is linked to his marginal worth to society somewhat as the remunerations of other factors are linked to their marginal worths to employers. The departure of the employer's income at the theoretical position of equilibrium from the employer's marginal worth could not be very great in view of the degree of increasing and decreasing returns, as above defined, to be actually expected from the relative magnitude of the industrial changes which really take place. The reader must be warned that the theory set forth above only relates to the ultimate outcome of general tendencies in the 'long run,' which is

[1] *Economic Journal*, December 1906.

very long indeed so far as the employer's income is concerned, and is not immediately applicable to particular cases.[1] Luck as well as law governs success in business, and the working of law is impeded by such social friction as the custom crystallised in 'goodwill.'

It will readily be understood that every factor in production secures for himself the value of any efficiency above the marginal efficiency of his class that he possesses, except in so far as he is prevented by agreements, custom, or any other of the retardations grouped under 'social friction.' An employer, for instance, of unusual capacity who pays the normal rate of wages and interest, cannot be deprived by the ordinary working of economic forces of the excess income that he makes over that which is earned by the marginal employer.[2] The workman, too, whose efficiency is above that of his fellows, can command a wage which represents the surplus of his value to employers above that of the marginal employee, unless, of course, by trade-union regulation of the methods of remuneration, his freedom to sell his labour to the greatest advantage to himself is curtailed.

Apart from critical objections of a theoretical character, the theory of wages sketched above in bare outline is not yet popularly accepted to the full. It is inherently difficult, and it takes time for any theory to work itself into the public mind. Moreover, the theory is regarded as implying a certain inevitable-

[1] For some treatment of 'the long run'—*i.e.* of the 'long' and 'short periods'—see pages 33–5.

[2] On the distinction between a 'marginal factor' and the 'marginal use of a factor,' see note on pages 1 and 2.

ness about each person's income, which makes it repellent to the reformer, who is rightly dissatisfied with the great differences between incomes to-day and, perhaps, is inclined to appeal against economic distribution to ethics. Again, the theory is thought to be too abstract, and to assume too much as regards the natural attainment of positions of equilibrium. As to the last two of these reasons we may observe, firstly, that though the idea of uniformity is implicit in the conception of law, the theory is far from laying it down that, do what you will and be what you will, your income can reach only one given amount. It can be declared of a Robinson Crusoe that his income cannot be more than he produces; to make it more he must produce more. The theory in question declares that similar conditions govern income in a complicated community. In a complicated community, in which there is group production, it is impossible to assign to each factor the commodities that it produces, since it always produces in collaboration with other factors. But it is possible to impute to each factor the product contributed at the margin to the total quantity produced—that is, to discover what would be lost if the factor in question were withdrawn and all things else remained the same. The theory, then, merely declares that each person will tend to receive as a wage his value—that is, the value of this marginal product—no more and no less. In order to get more than he actually does get, he must become more valuable—work harder, for instance—that is, he must add more to the product in which he participates. Assuming now that settlements at equilibrium are rapidly effected in a modern society, if it be true

to say that wages, according to theory, are governed by a rigid law, it is true to say exactly the same of the earnings of a Robinson Crusoe. As a matter of fact, indeed, the workman to-day is less restricted as to the means by which he can raise his income than a Robinson Crusoe. For Robinson Crusoe could not possibly obtain more than he was worth at ranges of work in the selection of which he exercised little free choice, whereas most workmen to-day, by confining themselves to the kind of work which they can do best, can earn more than they would be worth at a range of work chosen for them. The equalisation of opportunity that is slowly taking place, the spread of information and improved educational methods of eliciting latent capacities, gradually empower the workman to secure as a wage what he is worth at the highest paid of the callings which suit him best, by helping him to choose it and enter it. Many people, we need hardly remark, do not choose the business at which they can earn most, because another business interests them more. Further, it is theoretically possible—we say nothing now of its practicability—for a class of workers to obtain, under modern conditions, more than the value of the marginal product of their labour. This we shall discuss later, and also whether any class of labour would be wise in aiming at the income bearing such a relation to its value. The modern worker, then, appears to be progressively freeing himself from 'the inevitableness' about income of which complaint is made. Observe that in all the above we speak only of tendencies.

But can such enormous differences as subsist

between the incomes of equally deserving persons be right, it may naturally be asked? And if the question be couched in the form, 'Can the social arrangements which really render such differences unavoidable be right?' the answer must be an unhesitating negative. The chief line of reform that morals entail upon us is, as we have already hinted, to spread more evenly education and other opportunities throughout the community. If this be done, unreasonable inequalities in income will right themselves. As more rise to the better-paid work, the price paid for it will fall relatively, though the aggregate income of the community will undoubtedly rise. There is further, of course, the question as to the motives which are ethically admissible in business relations, a question that we must shirk, important though it be. The desire to exercise to the full one's highest capacities is no donbt less dominant to-day than the desire to make money; and again, no doubt, the circle of persons whose interests the average man considers is too narrowly restricted. Nor must the need of ethical guidance in consumption be ignored. A large portion of our present ills is caused by foolish and unworthy desires, and unwise and even deleterious consumption. Every community, taken as a whole, lacks æsthetic development, as much, perhaps, as strictly moral development.

The great recommendation of the so-called 'wages system'—that is, the system explained above—is that it leaves society free to change, and renders it adaptable to change. A high capacity to modify is a condition precedent to the attainment of ideals. Under the wages system, as new wants arise and

old demands slacken, corresponding movements are experienced in wages and profits, and a redirection of productive effort is naturally brought about, whereby society is provided rapidly with the means of satisfying proportionally its new scale of wants. Only by means of such an automatic arrangement as the wages system can appropriate production be continuously secured. And a rapid reaction of production on consumption not only causes the greatest value to be got out of our producing power, but also encourages versatility. A check on the reaction would tend to induce stagnation. Under the 'wages system,' observe, we include the law according to which employers, capitalists, and all other persons, are paid, as well as that governing wages proper. This argument will be expanded and illustrated in other parts of the present work.

The second reason mentioned above for the distrust with which the theory of wages has met, consists in opinions that are widely current as to the ineffectiveness of many economic tendencies. It is plausibly argued that society functions so slowly and cumbrously in moving towards the abstract position of equilibrium, upon the reality of which the explanation hangs, that such a position is never even approximately realised. The economic system is constantly starting to accommodate itself to a new end, but, before adjustment is nearly reached, the end has shifted. The theory may be profoundly true, it is thought, of the equilibrium points arrived at by abstraction, but actually there are no such positions, nor even positions approximating to them. The facts are a chaos in which chance is tyrant, but in which

employing labour and wealth have most forces working on their side.

Now we do not deny that social friction plays a leading part in the economic system, but we are prepared to maintain that its influence is enormously exaggerated, if it be taken to render the theory of wages advanced above unrecognisable in actual practice. When we consider the complexity of our social system, the length to which division of labour has been carried, the almost infinite remoteness of the activities of each of us from the direct satisfaction of our daily needs, and the minute completeness and rapidity with which those needs are met and even anticipated (so far as they are covered by the spending value at our command), in spite of the sudden changes that take place in multitudes of our wants, we are amazed, not at the inflexibility of society, but at its remarkable sensitiveness and powers of adjusting itself speedily and delicately to varying conditions. Every day of life in which we are clothed, fed, and amused, as we want to be, and enabled to carry on our avocations, is a miracle or an impressive witness to the truth that social friction is far from completely clogging social functioning. Social friction, we know, is too significant a fact to be ignored, but we are only concerned now to dispel the mistaken conviction that it is so disproportionately great in comparison with the generality of economic forces as to render a theory of the equilibrium of the latter irrelevant. Certainly, for social conditions to be understood in their entirety, social friction must be analysed, appraised, and traced in its bearings upon different classes. In proportion to the relative weight

of its influence do theories of the processes leading towards positions of normal equilibrium become of significance.

There is a danger of the modern theory of wages being widely misinterpreted and used mischievously, as a misreading of Ricardo's theory of value was made the corner stone of Marx's system. An argument which runs somewhat as follows is current if not yet common. 'Wages amount only to the marginal value of labour. Thus, if three operatives are employed on a machine, and one operative is worth 10*l.* a week, a second 5*l.* and the third 2*l.*, the wage will be only 2*l.* a week each, that is 6*l.* in all, though the total value of the three men is 17*l.* Labour receives 6*l.* of its worth, and the employer robs labour of the remaining 11*l.* This is exploitation, and it is obviously inherent of necessity in the competitive system. Under the competitive *régime* labour gets only what labour is marginally worth. Capitalists and employers get all the value of capital and organisation. Hence, if labour is to benefit from progress, the means of production must be nationalised, and organisation placed under public control.'

A somewhat lengthier reply than can be formulated here would be required to meet fully the points raised in the above paragraph, but they must not be allowed to pass entirely unchallenged. That the proof based upon the different values of different quantities of labour is wholly illusory, can be shown without much difficulty. If it were possible to get more than one operative for each of the machines of the kind supposed, the operative would not be worth 10*l.*

Assuming that the 10*l.* refers to the first demand price for the labour in question, it is obviously conditional upon the system of production being such that three men could be found for each machine. If one man only could be procured the system as a whole would undergo change, and there would be fewer machines. Nevertheless, it is true that as the relative quantity of one class of factors in production is permanently diminished for any reason, its marginal value rises normally even in the long run. It is true that the conception of consumers' rent applies to the case of distribution; but it cannot be applied as it has been above. The fallacious character of such an argument is apparent from its being capable of demonstrating that 2 and 2 make 100. Thus the same reasoning can be extended to the employer. The marginal employer is worth 500*l.*, let us suppose. Suppose further that there are 100 employers. If there were ninety the marginal value would be much more than 500*l.*, say 1,000*l.*, and so on. Then employers as a whole get 500*l.* × 100 (that is 50,000*l.*), though they are worth perhaps as much as 50,000,000*l.* Operatives, therefore, exploit employers. This argument can be used with reference to every factor in production, and it follows in consequence that all the factors in production taken together are worth something enormously greater than the value of their total product. As this conclusion is absurd, the line of demonstration pursued must be fallacious. Now this much, at any rate, can be inferred from the marginal theory of remuneration, that no factor can retain for itself all the wealth due to its existence. The patentee of a machine, act he never so selfishly,

must yield up to the community a large proportion of the product that may be imputed to his machines. How the benefit from progress gets shared out actually cannot be reckoned, because the requisite measurements are wanting and the terms in the problem are a multitude, but we know that the benefit is spread throughout the community.[1] Sharing according to the marginal worths of the factors is the general principle of division. We have already considered the question of the flow of producing power from one class to another according to the relations between their marginal worths.

We may now pass on to consider some of the effects of combinations formed by the employing classes or the working classes with the object of improving their position. It is important to lay stress at the outset upon the fact that all labour is not organised and that the unions of such as is organised possess varying degrees of strength. The high wages obtained by a particular trade union are liable therefore to be dissipated by spontaneous influxes of labour which is less well paid. Moreover, employers always aim at economising as far as they can in the use of a factor in production which has been made relatively dearer, whether it be labour, machinery, or material. Hence the efforts of the workers in particular trades to improve their conditions have commonly been associated with a restric-

[1] The shares of classes in the total income, however, at different times can be roughly estimated. See, for instance, Sir Robert Giffen's and Mr. Bowley's work upon English wages and other incomes, and also Leroy Beaulieu's *Repartition des Richesses*. Karl Kautsky in his 'Social Revolution' tries to explain away the significance of Bowley's results.

tion of numbers or a demarcation of work for their members. In these ways it has been sought to check influxes of labour and the substitution of cheaper labour for that which may have been made dearer.

Professor Marshall has so well summarised in a short passage the circumstances in which a group of labour has most chance of raising its wages that we cannot do better than quote his words here: 'If the workers in any trade are able to limit artificially the supply of their labour, they can certainly secure a considerable increase of wages, which will be the greater, the more fully four conditions are satisfied. They are: *firstly*, that there is no easy alternative method of obtaining the commodity which their trade helps to produce; and this generally requires (*a*) that they have control over the supply of labour in their trade and district; (*b*) that the commodity cannot easily be brought from some other district, in which the conditions of labour are beyond their control; and (*c*) that there is no available mechanical or other contrivance by which the commodity can be produced independently of them: *secondly*, that the commodity is one the price of which will be raised considerably by a stinting of supply, or in other words, the demand for it is not very elastic: *thirdly*, that the share of the total expenses of production of the commodity which consists of their wages is small, so that a proportionate rise in them will not greatly raise its price and diminish the demand for it; and, *fourthly*, that the other classes of workers, and the employers, in the trade are squeezable, or at least are not in a position to secure for themselves an increased

share of the price of the joint product by limiting artificially the supply of their labour and capital.' [1]

It is evident that the position of a trade union which is favourably placed in these respects is nevertheless a delicate one. It may inflict injury on groups of labour with which it is associated and which are not strongly organised, or not in an advantageous position, although it may have no intention of doing so; for the rise in wages secured may have been gained at the expense of such other groups of labour. Again, if it seek to maintain the higher rates by restricting numbers, its action is detrimental to the interests of the working classes as a whole, since thereby a privileged class is created and a check is imposed on people's freedom to choose a calling. If, moreover, the trade union tries to secure its members in their gains by compelling employers to reserve certain work for its members, and laying down rules as to the quantity of machinery allowed per head and the number of assistants permitted, a serious loss may be inflicted on society as a whole, because the substitution of economical for uneconomical methods of production will be hampered. The retardation of such a process is bad in itself, and it may have lasting bad effects in discouraging enterprise and the spirit of discovery. We may notice here that, in so far as the demand for labour is tampered with, the relation between wages and the marginal utility of labour may be broken, since conditions are laid down as to the application of the labour in question. An attempt is made, so to speak, to sell labour in assorted lots only, and then

[1] Marshall's *Economics of Industry*, pp. 362–3.

only on the understanding that so many lots must be bought for so much machinery. In effect, particular groups of productive factors are thereby removed out of the region where substitution operates. In respect of certain details of production conservatism is compelled. It is apparent that in interfering with the arrangement of the factors in production (except in so far as the health and comfort of the hands alone are aimed at), executive labour is invading the province which social expediency to-day assigns to another quality of labour, namely, directing labour. Yet, on the other hand, to refuse to the trade unions all control over the distribution of work to the various classes of labour, and all power of limiting numbers, may be to render their actions largely nugatory. It is unreasonable to expect that a small group of labour which has worked arduously to improve its wages and conditions will be content to see the fruits of its efforts reaped by newcomers who have been attracted by the results of a campaign in which they did not share, or destroyed through a wholesale displacement of its members by other labour that might have been at the time inadequately remunerated. Indeed, employers might decide to remove members of the trade union in question, even at some cost, in order to discourage the collective bargain.

There are two sides to the question, and our conclusion is that it is impossible in present circumstances to hedge off absolutely the actions of trade unions that are allowable (from the standpoint of social expediency) from those that are not allowable. In general we may say that the

trade unions are in the wrong if they aim directly at limiting numbers or rendering demand rigid. At the same time it must be admitted that they have the right to resist any unreasonable reaction of demand or supply on their wages. What is unreasonable must be left to be decided in each case independently. In general, the unreasonable reaction might be defined as one consequent upon wages in other classes being lower than they would have been had combination been equally exhaustive and strong throughout the labour world. And, of course, it is understood that any substitutions made by the employer are reasonable only in so far as they are made for economic reasons.

The difficulty considered above was much greater some years ago when trade unionism was less extensive than it is to-day. But there is no doubt that the situations with which the trade unions have to deal, and the situations with which employers have to deal in view of the action of workmen's combinations, are most complicated, and that the greatest care must be exercised by both in attempting to meet them. Full information as to the exact character of the case under dispute must be in the possession of each party, and each party must have, further, a clear conception of the intentions and motives of the other party, if unfortunate errors in policy are not to be committed. Hence the value of debates being conducted between the contending factors, and hence one of the chief advantages of conciliation boards. Since regular periodic deliberations between employers and employed accustom each to confer with the other, and gradually lead each to appreciate much in

the point of view of the other, the wages boards have conduced considerably to social peace, and brought about a higher degree of reasonableness in the actions of both employers and employees. It is worthy of note that the weekly money wage determines the drift of labour more than the other advantages of employment, and that, therefore, trade unions may improve the latter with less fear of action having subsequently to be taken to prevent their gains from being dissipated.

It has been suggested above that one of the chief difficulties with which trade unions have had to cope is the imperfect organisation of many classes of labour and the different relative strengths of trade unions whose members come into direct or indirect competition in an appreciable degree. By relative strength is meant strength in relation to that opposing it, which may be due to the nature of the particular situation, or to the combination of employers. Let us now suppose that this difficulty is removed, and consider what then the trade unions might hope to achieve. The solution of this problem will be also a partial solution of the case already considered, for it will indicate how far, if at all, a group of workpeople may by combination benefit themselves without affecting detrimentally another group of workpeople.

Let the grades of labour, distribution between which we are investigating, be A and B. We mean by A the employing class in general, and by B the class of employees, but it will be a convenience to use the abstract expressions. In order to simplify the argument, we shall suppose that A and B are the only grades of labour, and that the rate of natural

increase in each does not depend upon the rates of remuneration.

Might not B raise their wages by limiting the proportion of A in the productive system, and thereby getting A's work cheaper? The marginal value of A's work would be raised, but, since the A's would do the work for less, why pay them more than they asked? It is true that the system introduced would be less productive than the one displaced, but might not B gain more from the class A getting less than B would lose through a falling off in the product? To the objection that if B received a higher wage than heretofore the appearance of the requisite quantity of A would be prevented (assuming that the quantity of A varied as the ratio of A's remuneration to B's), an obvious response could be made. The surplus described above, it might be said, could be shared by A and B in such proportions as to make the ratio of A's to B's remuneration just sufficient to evoke the requisite proportion of A. Then there would be no tendency for class A to increase. It must be admitted that if the B's could act in this way and obtain as wages the whole product less A's share as defined above, they could improve their position except in circumstances which are exceedingly improbable.[1]

[1] The mathematical proof is simple. If the product be represented as a function of the number of employers (measured along OX) we have a curve which can hardly be otherwise than concave to OX. And we may take it that the curve of the aggregate supply price of employers (*i.e.* the marginal supply price multiplied by the quantity of employers) is convex to OX. Hence the curve of the aggregate supply price of employers plus aggregate wages at the position of competitive equilibrium (*i.e.* a constant) is convex also. The curve last mentioned must meet the curve of product at the position of competitive equilibrium, where, let us suppose,

But the argument contains one fatal flaw. It is not shown that B's wage would be no greater than the value of B's marginal efficiency when class B had improved its position in the manner supposed. Let B's wage be greater than the value of B's marginal efficiency, then a displacement of B must set in, until a balance is struck between B's wage and B's marginal value. To suppose no such displacement of B is to assume that the class A is prepared to employ a number of operatives at wages representing more than they are worth to A. The displaced B, by competing with those in occupation, would drag down the wages of B. Now, when the proportion of A to B is reduced the marginal value of B must be reduced. This we have already proved. If it were not so, we should be compelled to suppose that the marginal effectiveness of executive labour is increased when the degree of intelligent direction of it is contracted, while at the same time the total product becomes less, which is inconceivable. The maximum marginal value of B cannot therefore be coincident with a lower ratio of A to B than exists at the position of equilibrium already defined. B, indeed, might obtain higher wages if B's labour could be sold in the mass. In such case A would pay some B's more than they were worth, in order to get other B's for less than they were worth. If A made his

the number of employers is x. Now, the one curve being concave and the other convex, the latter must fall below the former for some abscissae less than x, except in the very unlikely case of the two curves just touching and not intersecting when the abscissa is x. That is, some restriction of the number of employers must leave a surplus to be divided, as described above, after employers have received their supply price and labour has taken the wages it would receive under conditions of competition.

supply price, he would be satisfied. But the disposal of B in this way is quite impracticable, in view of the range of factors for which B stands, a range that must exhaust all B's substitutes. It would mean, in effect, the assumption by B of the major part of A's functions, and in the long run, were it possible, it would bring many undesirable consequences in its train. It would tend to fix the productive system and stop progress. Trade unions would gain far more, ultimately, by encouraging the appearance of more A's. In this way the supply price of A would tend to be brought down, while the efficiency of A would tend to be augmented. Hence, their costs being lowered, systems with a higher productivity would tend to establish themselves, and, with greater value being elicited from the productive factors of the country, the marginal value of B would tend to rise. Further, the potential efficiency of B would tend to be enhanced as the prospects of the most capable of B rising to a higher class of work improved, for labour as a whole would be rendered more hopeful. And the earnings of higher grades of labour would be regarded with less resentment, because they would be viewed less commonly as the monopoly of an exclusive class. The income which no man is debarred from earning, if he be clever enough and enterprising enough, and which is being enjoyed by men drawn from all classes of the community, probably excites as much healthy emulation as envious ill-will.

If the foregoing reasoning be sound, there are no practicable means whereby B may permanently raise its remuneration above the level at the 'natural'

position of equilibrium in circumstances where competition rules generally, unless, indeed, any higher wages that are obtained evoke a corresponding increase of efficiency, or the combination of labour itself adds to the value of labour by virtue of its discipline and the force of public opinion and professional pride which it creates. Both of these results may be expected in some degree—it must be remembered by the reader that our object hitherto has been to consider the effects of combination apart from these consequences. Now, although the placing of wages as a whole upon a higher level permanently than is reached at a position of natural equilibrium would seem to be impossible, yet trade unions might raise the average wage, perhaps, by speeding up and strengthening the slow movements of wages when they are naturally rising, and by retarding downward movements. There is the danger, of course, of the combination raising wages above their natural rate for short periods, and thereby discouraging enterprise and some investment of capital, and reducing the national income; but, on the other hand, if capital always has a slight advantage, so that labour, through impediments to reactions, gets less on the whole than its share, the national income must suffer, because, there being less investment in labour efficiency, labour will tend to be less valuable than it otherwise would be.

Ordinarily uncombined labour is probably in a weaker strategic position than the employer, so that social friction works against the former. Professor Marshall has said in his analysis of trade unionism in Chapter XIII. of his 'Economics of Industry,'

'A combination of a thousand workers has a very weak and uncertain force in comparison with that of a single resolute employer of a thousand men; and though such an employer sees his profits in hiring a few more men at the current or even rather higher wages, he may yet think it the better policy not to bid for them lest he should suggest to those already in his employment that they should raise their demands.'[1] And the operative in employment has little chance of testing demand. Again, informal combinations insensibly form themselves among employers working in close vicinity when their numbers are not considerable. The formation of the tacit agreement is facilitated by their meetings on Exchanges and at Chambers of Commerce. Further, they are generally better educated than the work-people, are in a superior position for reading the industrial signs of the times, and have more means of information at their disposal, so that the chances are that they will get the better of their uncombined employees. Trade unions at least provide for their members expert advisers and diplomats. Further, we may notice incidentally that they have the advantage of checking the enormous friction caused by innumerable individual bargains. And again we must emphasise that they raise the efficiency of labour by professionalising it. By creating a group standard of conduct they elevate the average of self-respect and character. By creating a group standard of decent living in addition, they improve, apart from wages, the conditions under which work is done. And probably thought for the future, including the

[1] Marshall's *Economics of Industry*, p. 366. Edition of 1899.

next generation, has more weight in the group than in the average individual. One of the chief reasons for welcoming association is that worthy ideals are reared and made effective in social groups.

It will prove a convenience, perhaps, if we now summarise the general problems of wages with which we have already been or shall be concerned.

1. Firstly, there is the ethical question: What ought the workman to receive? Fundamental social issues are raised by this question: it has been dealt with very briefly above.

2. The second question is, How are wages really determined to-day? What makes them high or low in the long run and in the short period? How do combinations affect them? Of this problem the solution has already been outlined.

Only those who are ready with a reasoned answer to the question just propounded can discuss profitably the third and fourth questions which naturally follow, and which run:

3. Can this determination be rendered rational as opposed to blind? Can it be made a matter of calculation, so that the settlement of changes in wages may be arranged without friction, or the conflict which the play of natural forces so frequently causes?

4. If not, can the friction or conflict be prevented or at least minimised?

There remain other important general questions in the total wage problem to which we shall devote some attention, namely—

5. What methods of paying wages are most likely to encourage efficiency and result in the maximum of

advantage to the operatives? Under this heading falls the examination of piece-rates, time-rates, premium schemes, and profit-sharing.

6. Does competition work effectively as regards the continuity of the employment of the efficient? Can it be assisted?

7. By what arrangements is the support of the workman during sickness, recovery from accidents, and old age, best provided for?

We do not hint that these are the only important questions arising out of the so-called 'labour problem.' There remain, to give two examples, such matters as industrial betterment, including factory legislation and co-operation; but of these we cannot treat in the present work.

As a preface to the discussion which lies before us, and in connection with the matters already dealt with above, it will be desirable to draw the reader's attention specifically to the important distinction observed by economists between the long and the short periods. The long-period effects of any change are the effects to be looked for after society has completely accommodated itself to that change. The short-period effects may be regarded for our purpose now as the results of reactions after the immediate disturbance caused by the change has passed, but before complete adjustment has taken place. The reader will readily perceive that long-period consequences are not easily discoverable because of the modifications of the original change, which appear as a rule before long-period results are reached, and the presence of other causes and intermixed effects. The reader's attention is called now to this distinction

because the full long-period effects of schemes relating to labour questions may be located so far ahead as to be overlooked by the majority of those exercising an influence in bringing them about, and, when experienced, their distance from their real causes may easily lead them to be incorrectly accounted for.[1] We may suitably close this warning by quoting the weighty utterances of Professor Marshall. 'The present age,' writes Professor Marshall in his 'Plea for the Creation of a Curriculum in Economics and Associated Branches of Political Science,' 'is indeed a very critical one, full of hope, but also of anxiety. Economic and social forces capable of being turned to good account were never so strong as now, but they have seldom been so uncertain in their operation. Especially is this true of the rapid growth of the power and inclination of the working classes to use political and semi-political machinery for the regulation of industry. That may be a great good if well guided. But it may work great injury to them, as well as to the rest of the nation, if guided by unscrupulous and ambitious men, or even by unselfish enthusiasts with narrow range of vision. Such persons have the field too much to themselves. There is need for a larger number of sympathetic students who have studied working-class problems in a scientific spirit, and who in later years, when their knowledge of life is deeper, and their sense of proportion is more disciplined, will be qualified to go to the root of the urgent social issues of the day, and to

[1] For instance, the Australasian experiments in the settlement of wages being so recent their full long-period effects cannot be read from present economic phenomena.

lay bare the ultimate as well as the immediate results of plausible proposals for social reform. For instance, partly under English influence, some Australasian Colonies are making bold ventures, which hold out specious promise of greater immediate comfort and ease to the workers. But very little study of these schemes has been made of the same kind, or even by the same order of minds, as are applied to judging a new design for a battleship with reference to her stability in bad weather, and yet the risks taken are much graver.'

CHAPTER II

THE ORGANISATION OF LABOUR

THE general characteristics of the organisation of labour in the four leading countries, its extent and the attitude of the State towards it, form the subject matter of the present chapter.[1] All statistics have been reserved for the closing pages.

The United Kingdom

Trade unionism broadly conceived emerged from the general economic restlessness which inaugurated the industrial revolution. Whether in all cases or not a gulf lay between the combinations of the old order and those of the new, trade unions marked a distinct break with tradition. The spirit of inquiry and enterprise had dissolved the customs of an earlier order, but the sentiment of brotherhood in a trade (associated with common interests and a similar life) appears to have survived in many instances with sufficient intensity to form a basis for mutual insurance. The modern trade union originated partly as an outgrowth from friendly benefit efforts, but partly as a fresh departure. In the new order there was a more distinct severance between

[1] The abstract theory of the possible effects of combinations of labour on wages is stated in Chapter I. (pp. 21–82).

the undertaking and direction of enterprises on the one hand and their execution on the other than had been common previously, and to this was added an increased dissociation between the ownership and use of tools. The causes were on the one side the impulses of an economic revival which urged large sections of the community into intenser specialism, and on the other the invention of new machines and of a means of turning steam power to productive ends, which strengthened the authority of capital and placed the ownership of plant beyond the workman's means.

That the old spirit should have breathed for a time in the new order was inevitable. Apprenticeship, a great deal of control over the methods of production, the suppression of machinery or a check upon its development, degrees of liberty of action during working hours that were irreconcileable with factory organisation, were placed in the forefront of working-class aims. But claims of this nature were defeated by the solid resistance of a transformed industrial system. The operatives' demands, based on industrial domesticity, at first struck the public generally as rather impracticable, and then as absurd. A labour movement followed which was a class revolution contained within the confines of industrialism.

The merging of trade societies in national labour unions was significant of the events taking place. To the generation before it would have appeared incompatible with the interests of labour as then conceived; but new lines of cleavage had become defined in society, and bricklayers, weavers,

colliers, potters, and iron-workers discovered an identity of interest which caused the narrow exclusiveness of antecedent years to sink temporarily into abeyance. A social theory to hold together the new class concepts and form a basis for action needed formulating; indeed it was a presupposition of cohesion in the general labour unions. The theory that proved most acceptable to the factory operatives was a kind of economic socialism. It was a system antagonistic not so much to the factory system as to the employing class; it was, therefore, generally an offspring of the factory order rather than a conception advanced antithetically. Taking as its starting point operatives working with the aid of capital, it declared that all created values flowed exclusively from the quantity of labour (of their labour alone) required for the various commodities produced. Capital was stored labour; the entrepreneur was a costly encumbrance. His supposed work was the resultant of natural forces; or it could be performed with equal success co-operatively. The root idea of this socialism was the workman's right to the whole produce of industry; and it is a significant fact that when industrialism in its modern aspects became prominent in Germany a workmen's movement appeared there with a programme developed from the same idea.[1] Chartism was in part the political side of the upheaval justified by the then accepted system of socialism.

[1] Upon this question Professor Foxwell's introduction to the English translation of Menger's *Right to the whole Produce of Labour* will be found illuminating; also Russell's *German Social Democracy*, and, as an *ex parte* statement, Spargo's *Socialism*.

From about the middle of the nineteenth century modern trade unionism has been extricating itself from the confusion of political and Utopian aims by the pursuit of which much of its earlier effort had been wasted. The trade union to-day is as a rule a combination of operatives within a distinct trade for improving the working conditions of its members and securing for them as large a share of the earnings of their trade as possible. It is, therefore, professional, in the strict sense of the word, and commonly its aims are not of a revolutionary character. Trade unions of this kind are far more general in the United Kingdom than in any other country; but even in England within certain circles the practicable and commonplace end has been compelled to yield some ground to larger schemes.

The stringent combination laws which checked the efforts of workmen to raise their wages could not have bridled for long the multitudes who thronged the factories by 1824. In that year, fortunately, all the combination laws were repealed, and when in the following year the general prohibition of combination by common law was practically re-established, associations for regulating wages or the hours of labour were specially exempted. But it must not be imagined that the legislation of 1824 and 1825 conceded to the working classes liberties which had never previously been enjoyed by them. Sir J. F. Stephen holds that no case can be cited of any person having been convicted of conspiracy in restraint of trade at common law, for combining with others to raise wages, prior to 1825. There are dicta of judges to the contrary, but the general view would seem to be

that of Lord Campbell, who, in considering what would have been the position at common law of a combination to raise wages before it was specifically made legal in 1825, said, 'I cannot bring myself to believe without authority much more cogent'—he is referring to the opposite ruling by Grose J. in R. *v.* Mawbey (6 T. R. 637)—'that if two workmen who sincerely believe their wages to be inadequate, should meet and agree that they would not work unless their wages were raised, without designing or contemplating violence or any illegal means for gaining their object, they would be guilty of misdemeanour.'[1] Mr. Assinder supports this ruling by pointing out that text books down to 1880 make no mention of combination of masters or men being criminal at common law, and that the Acts passed upon the point contain no indication of their being declaratory of the common law. He further cites Sir J. F. Stephen's remark that the necessity of the Acts suppressing such combinations is hardly comprehensible if they were indictable as conspiracies under the common law.[2] We must bear in mind, if we criticise the action of the legislature in 1799 and 1800, that a comparatively new situation as between masters and men was being created by social and industrial reconstructions.

We cannot here trace in detail the changes that the law underwent through the ruling of the Courts between 1825 and 1871. Generally speaking, the

[1] *Hilton* v. *Eckersley* (1856), 6 E. & B. p. 62. Quoted from Assinder's *Legal Position of Trade Unions*, where the point raised above is discussed in detail.

[2] *History of the Criminal Law*, vol. iii. ch. 30, p. 210.

bearing of the Act legalising combinations was restricted by the interpretations of the judges, and the common law expanded to fill the void thereby created in a manner unfavourable to the operatives. A short Act of Parliament reversing this tendency was passed in 1859 (22 Vict. c. 24). This act declared that combining to produce an alteration in wages or hours, and peaceable persuasion to prevent others from working in such circumstances, did not constitute criminal 'molestation and obstruction.' But in less than ten years, by the finding of the Courts, the practice of picketing was in effect removed from under the protection afforded by this Act.[1]

We now reach the period in which for the third time the activities of trade unions were made the subject of extensive statutory changes. Until 1869 trade unions enjoyed no legal recognition. It was to correct this state of affairs that the agitation arose which culminated in the Trade Union Acts of 1871. An attempt had been made to secure the advantages of the Friendly Societies Act of 1855 (18 & 19 Vict. c. 63), by which funds could be recovered from defaulting officials and others, but it was decided in 1867 (Hornby *v.* Close, 2 Q.B. 153), that a trade union, by reason of its being in restraint of trade and therefore illegal, was not entitled to benefit under it. Two years later (in 1869), in consequence, a provisional measure according temporary legal protection to trade-union funds was hastily adopted pending the decision of Parliament upon the wider issues raised as to what the legal position of trade unions should

[1] The cases are cited by Assinder, *op. cit.* p. 18.

be.[1] Prior to 1869 trade-union funds had been partially shielded by an 'Act to amend the law relating to larceny and embezzlement' (31 & 32 Vict. c. 116). Under this Act a trade union prosecuted a defaulting official and secured his conviction; but, as was made clear at the time, criminal proceedings only could be taken under Russell Gurney's Act, and it therefore provided no means for recovering misappropriated funds.[2] Finally, after much heated discussion, the Trade Union Act (34 & 35 Vict. c. 31) and the Criminal Law Amendment Act (34 & 35 Vict. c. 32) were adopted. Originally legislation in a single measure had been proposed, but the opposition of the trade unions and their supporters to the imposition of further restraints on trade-union activities led to the clauses embodying them being transferred to a distinct bill.

We propose next to discuss these Acts, and any

[1] A commission had been appointed in 1867. The minority report was strongly pro-trade-union, and the evidence adduced and the majority report revealed a more friendly and conciliatory spirit towards trade unionism than had been usual a few years before. The *Times* no doubt expressed a view that was becoming widely current when it laid down the proposition that 'true statesmanship will seek neither to augment nor to reduce their influence, but, accepting it as a fact, will give it free scope for legitimate development.' (Quoted from Webb's *History of Trade Unionism*, p. 252.) The *Times*' leader appeared on July 8th, 1869. 'The occasion,' write Mr. and Mrs. Webb, 'was the epoch-making speech of Mr. (now Lord) Brassey, in which, speaking as the son of a great contractor, he declared himself on the side of the trade unions, and asserted that, by exercising a beneficial influence on the character of the workmen, they tended to lower rather than to raise the cost of labour (Hansard's *Parliamentary Debates*, July 7th, 1869). The speech was afterwards republished, with some additions, under the title of 'Trade Unions and the Cost of Labour,' by T. Brassey. (London, 1870, 64 pp.)

[2] For further details see Webb's *History of Trade Unions*, note to p. 259.

alterations made since, by statute or judgment, in the law as it is administered, with reference to their bearing upon

(*a*) The legal personality of trade unions and in particular their corporate liability,
(*b*) Picketing,
(*c*) What trade unions may and may not do without rendering themselves liable to criminal or civil actions, on the assumption that they do not resort to illegal means.

This portion of our work was designed and written during the recent controversy, and had passed through the printers' hands before the trade-union demands were conceded by the Act of December 21, 1906. We are too late to aid in the solution of the difficulty, but we may yet be of service, perhaps, as apologists and recorders. We have, therefore, retained, with some requisite modifications, what we had written. A moderately full exposition of the awkward situations created in England in the course of attempts to frame the most expedient laws to bear upon trade-union action has some value at least in bringing out the character of certain sociological facts, in enforcing the lessons inculcated by experience (which the future is apt to forget), and in affording guidance to other countries which may profit from our social discoveries.

(*a*) The principal object of the Trade Union Act was to prevent the treasurers, secretaries, and officers of trade unions from robbing them. Another object was to enable these societies to sue in respect of their property, and also to hold property such as a house

or office. 'No trade union, however wide its objects, was henceforth to be illegal, merely because it was in "restraint of trade." Every union was to be entitled to be registered, if its rules were not expressly in contravention of the criminal law. And finally the registration, which gave the unions complete control over funds, was so devised as to leave untouched their internal organisation and arrangements, and to prevent their being sued or proceeded against in a court of law.'[1] This paragraph may be taken as defining generally the fixed opinion of the country with regard to the legal position of trade unions until certain recent decisions were pronounced which bear directly or indirectly upon the liability of a trade union in tort and its legal obligation to observe contracts made with its own members and third parties. Doubt was originally cast upon this general view by a decision of Mr. Justice Farwell in 1900 to the effect that a trade union might be sued under its registered name.[2] The decision was unanimously reversed by the Court of Appeal, but the House of Lords on July 22, 1901, restored with equal unanimity the finding of Mr. Justice Farwell that a trade union could be sued in its registered name, and expressed the opinion that the funds of an unregistered union could be made liable by the proper officers

[1] Webb, *History of Trade Unions*, pp. 259–60.

[2] Some minor cases preceded the Taff Vale case, but they were not fully argued and the decisions were not carried to the highest tribunal. (See note p. xxv of the 1902 ed. of Mr. and Mrs. Webb's *Industrial Democracy*.) The decision in *Warnham* v. *Stone* (1896), involving a trade union being made party to a dispute, was set aside by the Court of Appeal (*loc. cit.* n. p. 858).

The bearing of the finding in *Temperton* v. *Russell* will be discussed below.

being proceeded against.[1] The Master of the Rolls in the Court of Appeal appears from the words of his ruling to have held a view opposite to that of the Lords, though Lord Lindley in the final hearing reduced the application of his finding to the mere form in which a trade union might be made party to an action.

There are two distinct points, then, which must not be confused. The first is that the Act of 1871 did clothe trade unions on their registering with sufficient legal personality to enable them to be sued for damage for torts, at least under their registered name, though the general impression was to the contrary. The second is that trade unions could not escape liability by not registering, since they could be reached by certain persons being cited as their representatives. Trade unions, we are now assured, never were theoretically beyond the pale of the law relating to torts, but as actions to recover damages for torts could only be instituted in the Courts of Common Law, and in these Courts there was a rigid rule that judgment could not be obtained against persons not actually named in the action, the funds of trade unions (all the members of which could not well be named as defendants to an action) were practically

[1] The case was the famous *Taff Vale Railway Co.* v. *The Amalgamated Society of Railway Servants*, 1901, A.C. 426, which is so well known that it need not be explained here in detail. It originated out of illegal picketing, and ultimately damages amounting to 23,000*l.* were obtained from the trade union. The decision of the House of Lords was founded on the wording above of the Act of 1871. The speech of Mr. Bruce (afterwards Lord Aberdare) upon the Bill that became law, as given in Hansard, which it was desired to bring forward as proving the intention of the Act, was ruled out as evidence: but some authorities think that the decision of the Lords may be regarded as consistent even with the wording of this speech.

beyond the reach of the law relating to torts. The anomaly was removed in 1883 by a general order of the Supreme Court issued under the Act of 1881 for the amendment of general procedure, which declared that a body of persons might be sued in the name of certain of them who were to be taken as representing the rest. In Temperton *v.* Russell it was held by the Court of Appeal, it is true, that by the wording of this order trade unions were not included in the groups against which representative actions might be taken, but this decision was set aside by the House of Lords in 1901 in the case of the Duke of Bedford *v.* Ellis and others (1901, A.C. 10).[1] In the circumstances we can readily understand how it was that trade unions escaped so long from being made parties to representative actions, but the common misinterpretation of the exact meaning of the Act of 1871 is not so easily comprehensible.

The conclusion that a trade union might be sued was particularly serious because of the doubt existing at the time as regards the delimitation of the rights of combinations. Moreover, it should be noticed that trade unions could be cast in damages under the elastic law of libel. The uncertainties laid bare as to what a trade union might legally do are easily to be explained. As the common impression up to 1901 was that trade unions could not be sued there had been no opportunity for the legitimate activities of trade unions to be made clear by the decisions of the Courts, and there are great differences, in respect both of their aims and policies, between trade unions

[1] Upon the above see the 'Report of the Royal Commission on Trade Disputes and Trade Combinations,' 1906, pp. 3–8.

and other combinations. The general law relating to combinations can hardly be expected, therefore, to bear satisfactorily upon trade unions, and this body of law is still comparatively amorphous, because business combinations which are threatening to private interests have only recently become common.

Public opinion on the points raised in the Taff Vale case was almost entirely confined to the questions actually at issue, but though the facts of the case referred to liabilities arising from tort, the decision of the Lords, being expressed in general terms, covered also actions for breach of contract.[1] Lord Brampton, in the Taff Vale case, remarked: 'I think a legal entity was created under the Trade Union Act of 1871, by the registration of the society

[1] Section 4 of the Act of 1871 gives trade unions exemption from actions at law, but relates to a limited set of agreements only. It runs:

'Nothing in this Act shall enable any court to entertain any legal proceeding instituted with the object of directly enforcing or recovering damages for the breach of any of the following agreements, namely:—

'(1) Any agreement between members of a trade union, as such, concerning the conditions in which any members for the time being of such trade union shall or shall not sell their goods, transact business, employ, or be employed.

(2) Any agreement for the payment by any person of any subscription or penalty to a trade union.

(3) Any agreement for the application of funds of a trade union.

(a) To provide benefits to members; or

(b) To furnish contributions to any employer or workman not a member of such trade union, in consideration of such employer or workman acting in conformity with the rules or regulations of such trade union; or

(c) To discharge any fine imposed upon any person by sentence of a court of justice; or,

(4) Any agreement made between any trade union and another; or,

(5) Any bond to secure the performance of any of the above-mentioned agreements.

But nothing in this section shall be deemed to constitute any of the above-mentioned agreements unlawful.'

in its present name in the manner prescribed and that the legal entity so created, though not perhaps in the strict sense a corporation, is nevertheless a newly-created corporate body, created by statute, distinct from the unincorporated trade-union.' If this represented correctly the actual state of affairs, a trade union was a semi-corporate body, the liability of whose members was unlimited. For the debts incurred by officials on behalf of their union it would seem that the union could be sued, and that, if its funds failed, each member in turn could be sued.[1]

We turn next to a matter connected with the legal personality of trade unions, which has excited less attention. It was specifically laid down in the Act of 1871 that a member of a trade union could not bring an action to enforce certain agreements made between him and the union, or to recover damages for the breach of such agreements. In 1905, however, the House of Lords in the case of the Yorkshire Miners' Association v. Howden, which arose out of the Denaby Miners strike, decided that a member of a trade union was entitled to an injunction to restrain the union funds from being applied to purposes not sanctioned by the union rules, and in contravention of essential provisions of those rules. According to the Act of 1871 agreements could not be directly enforced at law. It was held now, however, that certain agreements might be enforced indirectly. Thus a trade union could not be compelled to pay money to its members in accordance with its rules, but it could be prevented from dissipating its funds in a manner inconsistent with its rules.

[1] Assinder, pp. 27-8.

(*b*) No sooner had the Criminal Law Amendment Act (1871), referred to above, become the law of the land, than a vigorous agitation was set on foot among trade unionists to secure its repeal, together with further concessions to the trade unions. Mr. and Mrs. Webb write thus of the ends achieved some four years later: 'In June (1875) the Home Secretary, in an appreciative and conciliatory speech, introduced two bills for altering respectively the civil and criminal law. As amended in committee by the efforts of Mr. Mundella and others, these measures resulted in Acts which completely satisfied the trade union demands. The Criminal Law Amendment Act of 1872 was formally and unconditionally repealed. By the Conspiracy and Protection of Property Act (38 & 39 Vict. C. 86), definite and reasonable limits were set to the application of the law of conspiracy to trade disputes. The Master and Servant Act of 1867 was replaced by the Employers and Workmen Act (38 & 39 Vict. C 90), a change of nomenclature which expressed a fundamental revolution in the law. Henceforth master and servant became as employer and employee, two equal parties to a civil contract. Imprisonment for breach of engagement was abolished. The legalising of trade unions was completed by the legal recognition of their methods. Peaceful picketing was expressly permitted. The old words "coerce" and "molest" which had in the hands of prejudiced magistrates proved such instruments of oppression, were omitted from the new law, and violence and intimidation were dealt with as part of the general criminal code. No act committed by a group of

workmen was henceforth punishable unless the same act by an individual was itself a criminal offence. Collective bargaining in short, with all its necessary accompaniments, was, after fifty years of legislative struggle, finally recognised by the law of the land.'[1]

Violence and intimidation were expressly forbidden by the Act of 1875, but it is only since 1891 [2] that intimidation has been 'authoritatively narrowed down to a threat of committing a criminal offence against person or tangible property.' At present 'violence' and 'intimidation' are interpreted to the complete satisfaction of the trade unions, but complaints are made[3] that magistrates not infrequently act unreasonably, or even with bias, in dealing summarily with cases of obstruction of the thoroughfare, and acts of annoyance, on the assumption that breaches of the public order are more heinous offences when committed by persons on strike than when they arise, say, out of religious meetings or football crowds.[4] It must be remembered, however, that football crowds and religious meetings have not for their object the coercion of any person's will, and that, therefore, there is little fear of 'violence' and 'intimidation' resulting if considerable latitude be allowed them. Surrounding circumstances must be taken into account when cases of obstruction and annoyance are being dealt with. It might be desirable in times of public excitement to suppress the kind of crowd that would prove perfectly harmless as a rule.

[1] Webb, *History of Trade Unionism*, pp. 274–5.
[2] See Webb, *Industrial Democracy*, 1st ed. p. 854.
[3] *Industrial Democracy*, 1st ed. pp. 854–5.
[4] *Ibid.*

In section 7 of the Conspiracy and Protection of Property Act, 1875, among the various acts defined as criminal offences, there appears 'watching or besetting the house or other place where such other person resides, or works, or carries on business, or happens to be, or the approach to such house or place.' At the end of the section, however, the following modifying clause is to be found: 'Attending at or near the house or place where a person resides or works or carries on business or happens to be, or the approach to such house or place in order merely to obtain or communicate information, shall not be deemed a watching or besetting within the meaning of this section.' On the strength of this clause picketing continued. But in 1899 in Lyons v. Wilkins[1] a majority of the Court of Appeal held even peaceful picketing to be illegal, if the picketing and the acts done by the pickets were done with the object of compelling employers to change the mode of conducting their businesses. Action with such an object in view was regarded as different from attending merely in order to obtain or communicate information.[2] Moreover it has been held that the

[1] The case of *Lyons* v. *Wilkins* arose as follows. During the course of a strike the plaintiff's works had been picketed by the union of which Wilkins was secretary. Persons watched and beset the works of the plaintiffs and the approaches thereto, with the object of persuading the workpeople to abstain from working for the plaintiffs. It was admitted that the pickets used no violence, intimidation, or threats; but in the opinion of the Court the evidence showed that the picketing and the acts done by the pickets were done with the view of compelling the plaintiffs to change their mode of conducting their own businesses, and constituted watching and besetting as distinguished from attending in order merely to obtain or communicate information.

[2] The same judgment was given as early as 1876 in *Reg.* v. *Bauld* (13 Cox, 282), but it was not appealed against.

watching and besetting of one person in order to compel another is equally forbidden.[1]

As the law stood before the Act of 1896, picketing, in order to persuade people to abstain from working for their employers, was an offence under section 7 of the Conspiracy and Protection of Property Act, 1875, and a nuisance at common law without justification, and therefore all picketing was almost inevitably illegal. It must be understood that it was not the persuasion of people to abstain from working for their employers—an act, the legality of which is almost necessarily implied in the right to strike—which was illegal, but watching or besetting with such an object in view. However, the phrase 'watching and besetting' had been given so extended an application that it seemed to cover mere presence at a place, not continuously or persistently, but for any short space of time,[2] that place not necessarily being the works or house of the coerced employer. Mr. Geldart wrote (before the recent Act) referring to the finding in Charnock *v.* Court:—'The result of the interpretation is to render practically impossible any communication, even of the most peaceable kind, except by letter, between the strikers and those whom the employer has engaged, or is seeking to engage, to fill their places. Any occasion on which a person representing the former meets or calls upon one of the latter is capable of being regarded by the courts as a "watching and besetting," and in every case such "watching and besetting" will take place with a

[1] See *Charnock* v. *Court*, 1899, 2 ch. 35. Quoted from Mr. Geldart's article in the *Economic Journal* for June 1906.

[2] See *Charnock* v. *Court*, quoted above.

view to compel the employer. The mere purpose of obtaining or communicating information for which the statute provides an exemption is one which seems not to occur in practice. The workmen on strike are thus put at a manifest disadvantage in comparison with the employer. He is perfectly free to communicate with those whom he seeks to engage, for he can do this without being guilty of a technical watching and besetting, though his object is to compel the strikers to submit to his terms. The strikers will find it practically impossible in most cases to communicate with those engaged except by a personal interview, and this interview will at once bring them within the terms of the Act.' [1]

It will be a convenience to state at once that, in the opinion of the Royal Commission which reported recently, the protection of the subject and the concession to the trade unionist of the right to persuade peaceably could have been secured best by the substitution for clause 4 in section 7 of the Conspiracy and Protection of Property Act, which forbids generally watching and besetting, together with its proviso at the end of the section, which makes attending to impart or receive information legal, and clause 1 relating to violence and intimidation of the following clause:—'Acts in such a manner as to cause a reasonable apprehension in the mind of any person that violence will be used to him or his wife or family, or damage be done to his property.' Section 7 of the Act referred to is printed beneath to enable the reader to grasp exactly the effect of the

[1] *Economic Journal*, June 1906, pp. 192-8.

alteration proposed.[1] Whether the proposal would have proved satisfactory from the point of view of trade unionism would have depended upon the spirit in which the new clause was administered. Sir Godfrey Lushington and Sir William Lewis, two of the commissioners, dissent from their companion commissioners as regards the recommendation, and Mr. Geldart has criticised it in his notice of the report in the *Economic Journal*. The chief complaint of the last named is that the only remedy which would be left to the person who was merely molested or annoyed without being placed in fear as to his person or property, would be a civil action at common law for nuisance, that is, an action for an

[1] 'Section vii. Every person who, with a view to compel any other person to abstain from doing or to do any act which such other person has a legal right to do or abstain from doing, wrongfully and without legal authority—

'1. Uses violence to or intimidates such other person or his wife or children, or injures his property; or,

'2. Persistently follows such other person about from place to place; or,

'3. Hides any tools, clothes, or other property owned or used by such other person, or deprives him of or hinders him in the use thereof; or,

'4. Watches or besets the house or other place where such other person resides, or works, or carries on business or happens to be, or the approach to such house or place; or,

'5. Follows such other person with two or more other persons in a disorderly manner in or through any street or road,

shall, on conviction thereof by a court of summary jurisdiction, or on indictment as hereinafter mentioned, be liable either to pay a penalty not exceeding twenty pounds, or to be imprisoned for a term not exceeding three months, with or without hard labour.'

'Attending at or near the house or place where a person resides, or works, or carries on business, or happens to be, or the approach to such house or place, in order merely to obtain or communicate information shall not be deemed a watching or besetting within the meaning of this section.'

injunction and damages; and he rightly holds that an extensive use of the interim injunction is highly undesirable. Mr. Geldart would have the commission of a nuisance by watching and besetting specially forbidden.

(*c*) The law relating to trade-union action when legal means only were employed, especially as it stood after certain decisions of late, was bewildering to the public and not wholly clear even to the lawyers. We cannot pretend to discuss it as experts, but we shall endeavour to make some comments. The question has to be considered under the two headings of (i) the criminal law and (ii) the civil law.

(i) The status of trade unions before the criminal law was much more satisfactory in every way than their status before the civil law. The former was far easier to understand, and contained fewer doubtful points than the latter, and proposals to amend the former raised only comparatively slight differences of opinion. Previous to 1875 the bearing of the criminal law on trade unions was also vague and uncertain. A somewhat futile attempt to remedy it was made by the Criminal Law Amendment Act of 1871,[1] and finally the wishes of the trade unionists were, as they thought, fully met by the Conspiracy and Protection of Property Act of 1875. By section 3 of this Act it was laid down that 'an agreement or combination of two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute between employers or workmen shall not be indictable as a conspiracy if such act committed by one person

[1] *Report of Commission on Trade Disputes*, 1906, pp. 18 and 35 *et seq.*

would not be punishable as a crime.' However, in 1901 in Quinn *v.* Leathem (A.C. 495), the House of Lords held that the words 'trade dispute between employers and workmen' do not 'include a dispute on trade-union matters between workmen who are members of a trade union and an employer of non-union workmen who refuses to employ members of a trade union,' and it had previously been held by certain Judges 'that unless the acts complained of were done in contemplation, or in furtherance, not of a trade dispute at large, but of one between the particular parties bringing pressure to bear on the one hand, and the parties on whom pressure was borne on the other, they might be indictable as a criminal conspiracy.'[1] The recent Royal Commission states its conviction that the legislature in bringing forward the Act of 1875 'had for their cardinal object to eliminate the vague and uncertain operation of the law of conspiracy from all disputes between employers and workmen arising out of strikes and similar combinations.' They urge in support of their view that the words used in the Act are not 'between employers and workmen in their employ,' but 'between employers and workmen.' They therefore recommended that the Act of 1875 should be made to extend to so-called secondary strikes, and declared that they made the recommendation with the greater confidence because the majority of those employers examined by them whose evidence was of the greatest weight agreed that there was no valid reason for drawing a distinction between secondary and other strikes.[2]

[1] *Industrial Democracy*, ed. 1902, p. 858, where also references will be found.

[2] P. 15 of the Report.

(ii) The determination of the civil liabilities of trade unions for injuries inflicted upon others by acts in themselves legal, presented enormous difficulties. The most cursory examination of the leading cases would necessarily be somewhat lengthy and tedious. We have therefore relegated that part of our work to an appendix. Our conclusions only are given in the present chapter. On the basis neither of the cases reviewed in the appendix, nor of judgments in other actions, can it be unhesitatingly asserted that the secondary strike, or the strike against non-unionists, or in fact any strike other than the direct strike over a question of wages, or the threat of such a strike without aggravating circumstances, was legal, prior to the adoption of the Trade Disputes Act of 1906, in the sense that it could not of itself give ground for actions against the union for damages. Indeed it could not be affirmed as absolutely beyond question that procuring to strike might not in any case involve trade-union funds in liability, even were the dispute one directly of wages and were there no suggestion of contracts having been broken. There was undoubtedly no certainty as to the civil law relating to strikes and threats of strikes, but it will be worth while to record the impressions of the majority of the recent Royal Commission as to what the law probably was. A justification of these views is set forth in two carefully drawn memoranda prepared for the Commission by Mr. Arthur Cohen. The Commission held that there could not truly be a civil action for conspiracy on facts which fell short of criminal conspiracy. It is pointed out that the decision in Quinn *v.* Leathem, to the effect that section 3 of the Act of

1875[1] does not refer to civil remedies, while technically correct, is misleading. It was a necessary condition of damages being recoverable for the harm actually done by a conspiracy that the conspiracy should be proved a criminal offence. If this was not the law, the Commission thought it should be, and recommended, therefore, statutory affirmation to that effect. As regards cases in which conspiracy was not alleged, the Commission relied largely on the judgments given in Allen *v.* Flood. Its members considered 'that no action lies against a person for the act of molesting another in his trade, business or profession, unless such act be in itself an actionable tort.' To remove all doubt they recommended that the point should be made clear by suitable legislation.

If the recommendation of the Commission had been adopted as to the grounds for civil actions against trade unions, these bodies would only be liable for damages when injury had actually been inflicted (*a*) by acts of their own or their authorised agents which were wrongful in themselves, or (*b*) by acts done in furtherance of conspiracies that were criminal, that is (under section 5 of the Conspiracy and Protection Act, 1875, and its proposed extension to all disputes between employers and workmen), acts which would be criminal if perpetrated by any individual. The only way, therefore, in which trade

[1] The words referred to in the section are:

'An agreement or combination by two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute between employers or workmen shall not be indictable as a conspiracy if such act committed by one person would not be punishable as a crime.'

unions could be prosecuted by the civil law would be through an unreasonable expansion of the class of torts, or of the class of criminal acts performable by individuals, or possibly under the law of libel.

The short account given above of the change in the interpretation placed upon the law relating to trade unions sufficiently explains the recent excitement among trade unionists. It was the manner in which their charters had been revoked which stirred up the most resentment. This partially explains the uncompromising demand for the restoration of the *de facto* state of affairs previous to the Taff Vale judgment. The trade unions argued that, if the position created were maintained, they would be continually involved in legal disputes; that their property, including benefit funds, would run the danger of being forfeited in damages to aggrieved employers, and that it is unfair to make a trade union liable for wrongs done by any of its numerous agents, especially when the law relating to actionable wrongs is so gravely lacking in precision. To the proposal that arrangements might be made for the benefit funds to be set apart and exempted from liability for damages, the trade unions were opposed, on the ground that the benefit funds after being so set apart could never be used to further the interests of the members during disputes. As regards the damages in which trade unions could have been cast by the recklessness or folly of officials acting without authority, it was suggested by some of those who were not favourably disposed to the demands of the organised labour of the country that the trade unions might be relieved by statute of

responsibility for unauthorised or immediately disavowed acts of their numerous agents. Incidentally it should be observed that by reason of the judgment of the House of Lords on May 14, 1906, in the case of Denaby and Cadeby Main Collieries, Limited *v.* Yorkshire Miners' Association, any hardship inflicted under the law of agency was likely to be less than had been anticipated. It was held upon the facts proved that the branch officers and committee were not the agents of the defendant trade union, and that the latter was therefore not liable for the unlawful conduct of the former in bringing about a strike which involved breaches of contract. The case appeared to decide 'that the grant of strike pay by the union to men on strike is not in itself an unlawful act, and that it does not become unlawful as against the employer merely because the use of the money for this purpose is a breach of trust as against the members of the union. But that a body of employers should have made, and a court of first instance have held good, a claim for damages against a trade union, because it gave pecuniary support to its members on strike, is a remarkable illustration of the uncertainty into which the law has been brought by recent decisions.'[1]

But, supposing the difficulties connected with benefit funds and agency to have been successfully met, there would still have remained the enormous grievance of the uncertainty and seeming vacillation of the law in its bearing upon the activities of such bodies as trade unions. Hence it is not surprising that at the Leicester Congress the proposal for a

[1] *Economic Journal*, June 1906, p. 211.

partial repeal of the Taff Vale judgment, which would have left unions liable for acts sanctioned by their constitutional rules, was rejected. Trade unionists felt that with the Taff Vale decision unrevoked they would never know exactly what they might do and when they might be incurring penalties until expensive litigation had evolved more definite rules; and they were by no means confident that the restrictions ultimately found to be the law would meet with their approbation, or that the law, even if modelled according to their wishes, would not soon be varied to their disadvantage. It appeared to them to be their wisest course, therefore, to secure as much exemption from legal liabilities as possible. These arguments are forcible now, and were of even greater weight thirty years ago when trade unions were less firmly established, more uncertain as to their policy, more likely to be harassed by employers, and less likely to win the support of public opinion. The trade unions as a body demanded generally (1) freedom from corporate liability, (2) the legalising of peaceful persuasion in picketing, and (3) that actions not actionable when done by one person should not be actionable when done by more than one person. The late Government offered the Labour party a commission of three lawyers to examine the present state of the law with regard to picketing and to suggest necessary alterations, and suggested that the recommendations agreed upon should form the basis for immediate legislation. The offer of this commission, which might possibly at the same time have suggested some compromise on the law of conspiracy, was refused.

In each session succeeding the Taff Vale decision bills were introduced into Parliament with the object of reforming the law. In 1903, by way of reply to the bill introduced by Mr. Shackleton, the late Government appointed the Royal Commission to whose report we have already given some attention. Pending its inquiries they refused to adopt any line of action. Unfortunately the constitution of the commission caused dissatisfaction, which seriously damaged its effectiveness. While the commission included one employer, it contained no member of the Labour party. Mr. Sidney Webb was a member, but the trade unionists refused to regard him as their representative because his opinion on the desirability of retaining the Taff Vale decision conflicted with theirs. 'We say at once,' Mr. and Mrs. Webb had written, 'that trade unions would, in our opinion, not be warranted in claiming to have restored that complete immunity from legal proceedings which Parliament intended to confer upon them in 1871–6. We see no valid reason why, if the law were put into a proper state, trade unions should not be liable to be sued for damages in their corporate capacity in respect of any injury wrongfully done by them or their agents to other persons.'[1] The Parliamentary Committee of the Trade Union Congress, in consequence, framed a resolution that no member of a trade union should give evidence before the commission, and this resolution was confirmed by the general congress of trade unions. The summary of the majority report of the Royal Commission is set forth beneath. It was signed by Lord Dunedin,

[1] *Industrial Democracy*, 1902 ed., p. xxxiii.

Mr. Arthur Cohen and Mr. Sidney Webb. The two other members of the commission, Sir Godfrey Lushington and Sir Wm. T. Lewis, dissented and each published a separate report.

That an Act should be passed for the following objects :—

(1) To declare trade unions legal associations.

(2) To declare strikes from whatever motive or for whatever purposes (including sympathetic or secondary strikes), apart from crime or breach of contract, legal, and to make the Act of 1875 to extend to sympathetic or secondary strikes.

(3) To declare that to persuade to strike, *i.e.* to desist from working, *apart from procuring breach of contract*, is not illegal.

(4) To declare that an individual shall not be liable for doing any act not in itself an actionable tort only on the ground that it is an interference with another person's trade, business, or employment.

(5) To provide for the facultative separation of the proper benefit funds of trade unions, such separation if effected to carry immunity from these funds being taken in execution.

(6) To provide means whereby the central authorities of a union may protect themselves against the unauthorised and immediately disavowed acts of branch agents.

(7) To provide that facultative powers be given to trade unions, either (*a*) to become incorporated subject to proper conditions, or (*b*) to exclude the operation of Section 4 of the Trade Union Act, 1871, or of some one or more of its subsections, so as to allow trade unions to enter into enforceable agreements with other persons and with their own members.

(8) To alter the 7th section of the Conspiracy and Protection of Property Act, 1875, by repealing Sub-section 4 and the proviso, and in lieu thereof enacting as a new subsection (which would also supersede Sub-section 1) : 'Acts in such a manner as to cause a reasonable apprehension in the mind of any person that violence will be used to him or his family, or damage be done to his property.'

(9) To enact to the effect that an agreement or combination by two or more persons to do or procure to be done any act in contemplation or furtherance of a trade dispute shall not be the ground of a civil action, unless the agreement or combination is indictable as a conspiracy, notwithstanding the terms of the Conspiracy and Protection of Property Act, 1875.

Some of the recommendations we have already commented upon and explained above, others explain themselves. Of the remainder a few words must now be said. The first proposal was made because of the alleged disadvantage at which trade unions are placed in sight of the common law by the fact that they are not specifically legal. So far they have been enfranchised only to a limited extent.[1] Suggestion 9 concedes the demand made by trade unions, that actions not actionable when done by one person should not be actionable when done by more than one person; and inasmuch as the protection accorded by this concession would be less than is commonly imagined, suggestion 9 is supplemented by another marked 4, which is designed to prevent actions for 'interference with a man's trade' without justification, which, as the law stands to-day, are seemingly possible.[2] We may add here that it is not known

[1] By Sections 2 and 3 of the Trade Union Act of 1871 which declare:—

Section 2, 'The purposes of any trade union shall not by reason merely that they are in restraint of trade be deemed to be unlawful so as to render any member of such trade union liable to criminal prosecution for conspiracy or otherwise.'

Section 3, 'The purposes of any trade union shall not by reason merely that they are in restraint of trade be unlawful so as to render void or voidable any agreement or trust.'

[2] Upon the issues involved see Mr. Haldane's article in the *Contemporary Review* for March 1903. Compare also an article in the *Economic Review*, April 1905.

how the courts would deal with a wealthy and powerful person who injured others by his actions to an extent which would have justified damages had the person been a combination. 'A new law ordaining that nothing done in pursuance of a trade dispute should be actionable, if it would not be actionable as the deed of an individual, might in a very few years find the ground cut from under it.' Mr. Geldart criticises this ninth recommendation on the ground that it goes too far, and might be held 'to legalise an agreement or combination to commit an act which if done by an individual would be a civil wrong, though not a crime.'[1]

Section 4 of the Trade Union Act of 1871 referred to in recommendation (7) has already been quoted.[2] As regards incorporation, we may remind the reader that the idea is not new. It was proposed by the employers on the Trade Union Commission of 1867, but opposed by the unionists, and when the Home Secretary introduced the Trade Union Bill in 1871, he stated that it had been drafted in conformity with the wishes of the minority of that commission. The Bill was in fact, in respect of incorporation, a concession made to one of the interested parties, and not an expression of the opinion of the majority as to the right line of action apart from the wishes of the trade unionists. The subject was discussed again by the Labour Commission in 1894. The majority advised permissive incorporation, but the Labour members disliked the idea, and were vehemently opposed to compulsory incorporation. In

[1] *Economic Journal*, June 1906.

[2] See note to page 47.

view of recent events it will be useful to quote here the arguments used in the minority report :—

> One proposal made to the commission by several witnesses appears to us open to the gravest objection. This suggestion is that it would be desirable to make trade unions liable to be sued by any person who had a grievance against the action of their officers or agents. To expose the large amalgamated societies of the country with their accumulated funds, sometimes reaching a quarter of a million sterling, to be sued for damages by any employer in any part of the country or by any discontented member or non-unionist for the action of some branch secretary or delegate, would be a great injustice. If every trade union were liable to be perpetually harassed by actions at law on account of the doings of individual members, if trade-union funds were to be depleted by lawyers' fees and costs, if not even by damages or fines, it would go far to make a trade unionism impossible for any but the most prosperous and experienced artisans.
>
> The present freedom of trade unions from any interference by the courts of law—anomalous as it may appear to lawyers—was, after prolonged struggle and parliamentary agitation, conceded in 1871, and finally became law in 1876.
>
> Any attempt to revoke this hardly won charter of trade-union freedom, or in any way to tamper with the purely voluntary character of their associations, would, in our opinion, provoke the most embittered resistance from the whole body of trade unionists, and would, we think, be undesirable from every point of view.

Although there were many friends of trade unionism, and some trade unionists, who thought that the time was ripe for removing an anomaly, and giving trade unions a more dignified and assured legal status without curtailing appreciably the extent of their powers, if it were possible, yet the contentions in the passages quoted above are still most weighty.

Moreover they have been reinforced by Mr. H. A. Henderson, a solicitor who has done a great deal of work for trade unions, in a recently published plea for the exemption of trade unions from liability to be sued. He wrote: 'The conduct of a strike by a trade union is not possible without funds, and very often necessitates the expenditure in strike pay to the members of a considerable sum of money which, as a matter of prudence, should be in the hands of a union before a strike is resolved on or sanctioned by the executive. In this respect the master and workmen are not on the same level. The master is no doubt exposed to loss of business and loss of capital by a strike of his workmen, but there is scarcely ever any immediate pressure upon him for his own maintenance. The men are equally exposed as a collective body to loss of capital and damage to their financial position through the depletion of their accumulated funds, but in addition to this the moment the strike commences they require actual physical maintenance, which they can only get by means of their accumulated fund, and if the master is entitled to attack this fund in a claim for damages against the union, I think it can fairly be contended that he is given an unfair advantage over the workmen. The assertion of those who take an opposite view, that a trade union should as such be liable for damages resulting from a strike, sounds a plausible one when first put, but I submit that a state of industrial war, having been formally sanctioned by the legislature, ordinary conditions have to be set aside, if necessary, to complete fairness to one of the parties to the war.'[1] The charge on trade-union

[1] *Tribune*, March 7, 1906.

funds of petty damages and law costs might be very burdensome, and it is too much to hope that the law could be made so clear that really serious matters only would come into court.

It is interesting to notice that the division of opinion upon the question of the incorporation of trade unions in the United States is somewhat similar to that in England. In 1903 an inquiry was made under the auspices of the National Civic Federation, and as a result it was found that employers as a whole favoured the incorporation of trade unions, that employees were opposed to it (though some trade unions are in favour of it), and that the lawyers agreed almost unanimously with the employers, while the general public inclined to favour voluntary incorporation. What difference exactly incorporation would make in England is not clear. The powers which the present quasi-legal personality of trade unions carries with it have never been defined. As incorporated, however, they would have the right of entering into legally enforceable contracts with employers and others, which might strengthen collective bargaining. They would be empowered, perhaps, to recover subscriptions and compel members to fulfil their agreements, but the members in turn would be authorised to force the union to observe its contracts made with them. The unions would acquire authority to sue employers who induced their members to break their contracts and leave the union. Further, they would secure, no doubt, limited liability.[1]

[1] Upon the question of the incorporation of trade unions, see an article by Clement Edwards in the *Nineteenth Century*, February 1902, also the *Monthly Review*, April 1903, and Sir Godfrey Lushington's report as one of the Commission on Trade Disputes.

Sir Godfrey Lushington dissents from the majority report of the recent Royal Commission upon several important points. While agreeing that the Taff Vale judgment should stand, he objects to the proposed special protection of Provident Funds on the ground that the obligation to meet just debts should have priority over the obligation to be provident. And *a fortiori* he rejects Mr. Webb's suggestion that out-of-work funds also should be exempt. With reference to these points there are two considerations to be weighed. The one is the enormous public interest in individual thrift—the German Government appreciates this so highly that, in effect, it compels saving by law. The other is the serious discouragement of thrift that Sir Godfrey Lushington's proposals would entail. Upon the question of a trade-union's responsibility for the acts of agents, he thinks that the ordinary law of principal and agent should apply, special rules not being made to meet special circumstances. But it must be realised how special the circumstances are. Recommendation (1) Sir Godfrey Lushington thinks unnecessary, and while giving qualified assent to (7) (*a*) he opposes (7) (*b*) on the ground that it would involve the use of the law 'to prevent workmen from working or to compel workmen to maintain a union.' From picketing, in his opinion, the workman to-day needs no less protection than formerly, but more. To suggestions (2), (3) and (4), however, he assents, as he does also to (9), for lengthy reasons set forth in his report.[1]

[1] Sir Godfrey Lushington expresses his conclusions upon the questions covered by recommendation (9) as follows:—'On a review of the whole matter, I am of opinion that no ground exists of public policy or justice

Sir William T. Lewis objects to all nine recommendations, and submits that they are in conflict with the evidence given to the commission. His argument, however, is frequently rendered unconvincing by the fact that he bases many of his conclusions on the evidence of witnesses in favour of the maintenance of the decision in Quinn *v.* Leathem (the implications of which are most difficult to elucidate), or that in Lyons *v.* Wilkins, after emphatically laying it down that 'the majority of the employers not being lawyers failed to grasp the niceties of legal points on which they were cross-examined.' Further, his views seem to be guided overmuch by ideas of what would be desirable if we could fashion men and circumstances to our minds. We doubt whether Sir William Lewis has appreciated to the full the facts as they are, including the opinions of large masses of the population. The problem is to discover the settlement which is best for the present and future in the industrial world, the conditions of which change only slowly.

The present Government brought forward a Bill of its own, drafted somewhat on the lines of the report of the Royal Commission. The Labour Party could not be induced to support such a measure. It was ultimately decided to concede all the trade union demands, and effect was given to this decision by the law of December 21, 1906. It declares that an act 'done in contemplation or furtherance of a trade dispute' is not rendered actionable merely by its being 'done in pursuance of an agreement or

to private interests, to make it necessary that in trade disputes conspiracy to injure should continue to be a cause of action.'

combination by two or more persons;' and lays it down that 'an act done by a person in contemplation or furtherance of a trade dispute shall not be actionable on the ground only that it induces some other person to break a contract of employment or that it is an interference with the trade, business, or employment of some other person, or with the right of some other person to dispose of his capital or his labour as he wills.' The Act legalises picketing to obtain or communicate information or peacefully to persuade any person to work or abstain from working; it sets aside the Taff Vale judgment by enacting that trade unions shall not be suable; and declares that in this Act and in the Conspiracy and Protection of Property Act, 1875, the expressions 'trade dispute' and 'workmen' shall be understood in the widest sense and not with the restricted meaning to which the Courts were inclining to confine them. Comment is needless after the foregoing prolonged discussion.

The course finally taken by the Government can hardly be condemned as unwise in the peculiar circumstances. In view of the present extent of trade unions, the public support which they enjoy, the general belief in their value to the operative classes, and the more or less experimental nature of their policies and methods, they should be allowed considerable freedom of action. The trade-union official must be protected against constant harassing by the law in the course of his duties. In a democracy the wishes of persons deeply affected must not be wholly disregarded. It must be left to experience to show whether the public interest in some private

rights, that might be assailed by trade-union action, is not deep enough to justify their protection by criminal law. The damage caused to a third person by the pursuit on the part of a trade union or association of employers of its legitimate objects might occasionally prove so unreasonably excessive as to render its prevention desirable. When we enlarge the focus of our attention to include the question of public control in relation to trusts and speculation, the whole subject broadens out and reveals the possibility of ultimate difficulties which is not so apparent in a narrower field of vision. It must be remembered that when all the demands made by the trade unions to-day are conceded they are not endowed with powers wider than those which they enjoyed in effect prior to 1901, and it cannot be demonstrated that their possession of such extensive liberties proved socially disastrous. If they now abuse their privileges curtailment will be necessary. In trying to make up our minds upon this question we must not forget that the alternative course would have meant a complicated law, the almost certain appearance of ambiguous points in the future for settlement by the Courts, and possibly much irritating and burdensome litigation.

Generally speaking, the trade unions of the United Kingdom are professional societies and not to any great extent semi-socialistic or political clubs. National societies are usual in the organised trades, and attempts are made to bring about uniformity in the conditions of each trade throughout the country. There is a federation of trade unions of

different industries, dating from 1899, which exists to give effect to the common interest in the maintenance and success of unionism. Its membership is now about 600,000, that is roughly a third of the organised labour of the country, but its income and reserves are small in comparison with the average of its constituents. Many trade unions contribute to support Labour members in Parliament. In the present Parliament there are, it is reckoned, fifty-one Labour members if Liberals are counted, but far fewer sat in the last Parliament. The Labour members as a rule are supposed to watch legislation in the interests of the operative classes and promote measures for their benefit, and not to work for a far-away social reconstruction. Many, however, are Socialists. The Independent Labour party, as well as the Social Democratic Federation, is closely similar to the German Social Democrats. But, in spite of their doctrines, the Socialist members of Parliament will probably be found in affairs practically indistinguishable from other Labour members. They are reformist Socialists and not revolutionists,[1] and more prosaic than their French and German brethren of the same school. Socialism in England is a leaven rather than a political ideal. Broadly regarded, English trade unions enter into politics to promote practical professional ends and do not make politics an end in itself—'lobbying' and striking are placed generally on the same footing. The Labour Representation Committee is the outcome of the combination of the majority of the Socialists and many trade unions to secure the direct representation of the working classes in Parliament

[1] The distinction is explained on p. 112.

on a compromise ticket. The leader of the Labour party (Mr. Keir Hardie, M.P.) made the following pronouncement as to the nature of the new party on February 13, 1906, in a speech delivered at Peckham: 'You are not to understand that all the thirty Labour members are Socialists.[1] Neither do I say that the Labour party is committed to Socialism. The Labour party in Parliament is a perfectly honest and straightforward combination of the Socialist party and the trade-unionist party. They are blended together for an immediate purpose which is common to both—the need for having a party in Parliament to protect the interests of the workers.'

At the beginning of 1906 there were affiliated with the Labour Representation Committee 158 trade unions, seventy-three trades councils and two Socialist organisations, with a total membership of 920,000. The most influential section of labour that holds aloof is the colliers, who have as many as twelve representatives of their own in the present Parliament.

United States

We turn next to the nation most similar to the English in manners and customs, the American nation. Trade unionism proper, as distinguished from gild organisation and semi-social, semi-insurance clubs, appears to have begun in the United States as early almost as in this country. It was insignificant prior to the Civil War. In 1830, a year

[1] Now 81. Twenty-nine were elected on the L.R.C. ticket, and two joined after being returned.

of great trade-union activity in England, a general convention of trade unions was summoned in the United States.[1] This was followed by others of the same kind. In America, as in England, employers were at first inimical to workmen's organisations. With the expansion of industry, it was seen that trade unions must be recognised as a necessary agency in the adjustment of the relations between capital and labour. In the 'sixties' trade unions had become a power.

In the history of American trade unionism the Knights of Labour have played a dramatic part. This order received its initiation in Philadelphia in 1870, though its active career did not begin until some three years later. It was first organised as a secret society in imitation of the Freemasons, taking its origin from the dissolution of a garment-cutters' union which had proved unsuccessful. Founded in the belief, which gave rise to the National Society for the Protection of Labour in England, and to Owen's grand national trade union in the first half of the nineteenth century, that the interests of labour could be secured only by a universal union of the workers, it was impregnated from the first with the doctrines of economic Socialism. It demanded among other measures, as mediate reforms, the referendum, the

[1] A general Trade Union of the City of New York for the promotion of the welfare of labour as a whole was formed in 1833. Some interesting notes on the early history of American trade unions are given in Carroll D. Wright's article in the *North American Review*, vol. clxxiv. p. 80 *et seq.* The most scholarly comprehensive work upon American trade unionism is the volume, *Studies in American Trade Unionism*, edited by Hollander and Barnett, of which, however, owing to its late publication, we could only avail ourselves as a check upon our conclusions.

taxation of all land held speculatively, factory legislation, the abolition of truck, the issue of paper money in requisite quantities (whatever that might mean), prohibition of immigration under contract, and industrial arbitration (that is, the fixing of wages on principles other than that of competition). Further, the Order actively promoted co-operation, whereby, it trusted, the lot of labour was ultimately to be transformed. But the co-operative achievements of the Knights were so slight in proportion to their assurances, that the faith of their supporters was soon honeycombed with doubts. The attempt to organise an effective boycott of goods not labelled as proceeding from trade-union shops was an almost equally pronounced failure.

The early popularity of the Knights of Labour was attributable in some measure to the society being secret and members being inducted with mysterious rites. Secrecy was formally discarded in 1878, and a declaration of principles was put forward. Numerous strikes were supported between 1878 and 1883, but the policy of striking was generally discouraged after the first few years. The zenith of the Order's power was reached just prior to 1886, when it numbered 9,000 assemblies, local, district, and State, and is said to have had a membership which at least reached half a million, and may have approached three-quarters of a million. Some reports at this time enormously exaggerated its numerical strength and credited it with adherents to the number of five millions. The antagonism that ultimately grew up between the trade unions and the Order was consequent upon the latter subordinating trade policy—

that is, the policy of securing high wages and good conditions of work under the existing régime—to far-reaching schemes of social reconstruction. The Order admitted non-unionists and the assemblies assumed the complexion, therefore, of social reform clubs. In 1886 there was an open breach. The Order had tried to induce the trade unions to sink their individualities in the 'grand freemasonry of labour,' but it was only by adding further promises to its unredeemed pledges and not by a recital of successes that it could support its claim. The conflict with unionism proper resulted ultimately in the decay of the Order of the Knights and the strengthening of the older societies in a powerful federation proper of trade unions. The latter was for a time the subject of violent abuse on the part of the socialistic press, and was even impeached as a tool of the employers.

The declining popularity of the Knights was probably brought about in a large measure by the trend of American social thought. Mr. Gilman thinks that the idea of collectivism—the nationalisation of all means of production and the State direction of all enterprises—is distasteful to the typical American workman of to-day.[1] Professor Münsterberg arrives at the same conclusion, and explains why to his mind social democracy, in the technical sense, has made little advance among American workmen, though it has entered the States through the avenue of immigration. 'The American labourer does not feel that his position is inferior; he knows that he has an

[1] *Socialism and the American Spirit*, pp. 329, 361.

equal opportunity with everybody else, and the idea of entire equality does not attract him, and would even deprive him of what he holds most valuable—namely, his self-initiative, which aims for the highest social reward as a recognition of the highest individual achievement. American society knows no unwritten law whereby the working-man of to-day must be the same to-morrow, and this gives to the whole labour question in America its distinction from the labour question in European aristocratic countries. In most cases the superiors have themselves once been labourers.' The results of Levasseur's analysis are closely similar. Of the American *entrepreneur* we read: 'He himself, in many cases, has risen from the ranks of the workmen, or from even humbler employment, and frequently has never had leisure to acquire the most elementary education; often he has passed through various trades before becoming settled; this knowledge is in proportion to his experience, he calculates, and when he wishes good men and machinery he pays what is necessary to get them. Intent upon his own affairs, and not those of others, he is in this respect profoundly individualistic.'[1] It is attributable to the individualism of Americans all round that institutions founded by employers for brightening the lives of the employees are less common in America than in some other countries—'industrial patronage,' as Levasseur terms it. The social settlement is not unknown—Hull

[1] Levasseur's *American Workman*, pp. 448–4.

As regards education great strides have been taken in the last few years, and to-day a large proportion of those who are intended to play a leading part in business receive first an education to some extent specialised to their needs in universities and other institutions for higher education.

House, for instance, is of world-wide repute—and the social betterment undertaken by the National Cash Register Company is an example for all nations; but a careful search would reveal much less effort of this kind in America than in Germany or the United Kingdom.[1] We must remember that wages are much higher in America than in Germany, and that the American workman is exceedingly independent. Industrial organisation in Germany can approach much closer to the form of patriarchalism than would be possible in any part of the United States or even in England, where trade unionism has, on the whole, set its face against many schemes of betterment on the ground that they bind a group of labour too firmly to one business. Analysing the American workman, Professor Münsterberg writes: 'In fact, the friendly benevolence, however graciously expressed, intended to remind the workman that he is, after all, a human creature, perhaps the friendly provision of a house to live in, or some sort of State help for his family, must always be unwelcome to him, since it implies that he is not able, like other fathers of a family, to be forethoughtful and provident. He prefers to do everything which is necessary himself.'[2]

Many in America are now feeling the strain of excessive individualism. John Graham Brooks writes: 'Much of our industry educates in the sense of producing every degree of skilled per-

[1] An excellent volume by Budgett Meakin, entitled *Model Factories and Villages*, contains descriptions of the various kinds of social amenities prepared for their employees by firms in different parts of the world.

[2] *The Americans*, p. 323.

formance. It may do nothing to educate socially or fraternally. It has come very widely to do the exact opposite of this.'[1] Professor Münsterberg points out that working-men are not hindered, in their fight for better conditions of labour, from adopting many socialistic tenets. 'The American calls it Socialism even to demand that the Government own railways, telegraph-lines, express companies or coalfields, or that the city conduct tramways, or gas or electric-light works. Socialism of this sort is undoubtedly progressing.'[2] Recent labour conflicts, combined with dislike of the Trusts, are inducing the American public to modify somewhat their views of the relation of the individual to the State. The latest English New Unionism, which is at least tinged with Socialism, and might be described as trade unionism socialistically interpreted rather than as Socialism using trade unions as tools, has been an influence for some years, and there is a strong tendency now in America to enforce the claims of labour as a whole by federation. By New Unionism little regard is paid to insurance, and the whole power of united labour is devoted to attack or resistance in respect of the relations between employers and employees, except in so far as attention is given to driving the Government into improving the conditions of labour. In the joint conferences of the American Federation and the English trade unions, socialistic resolutions could secure a majority so long as the vote was taken by unions, because of the number of small societies which have arisen out of the New Unionism. When, however, votes were assigned in

[1] *Social Unrest*, p. 351. [2] *The Americans*, p. 324.

proportion to the membership, the socialistic party no longer predominated.

Several federations of labour were organised in the United States between 1866 and 1872. It was a society of later origin, namely the Federation of Organised Trades and Labour Unions of the United States and Canada, established in 1881, which ultimately became the American Federation of Labour. The Federation was constituted by a process of amalgamation in 1886 with those unions which remained outside the original body. At present it comprises most of the national unions. The railway brotherhoods keep apart, though the relations between them and the Federation are amicable. 'The American workmen have never become a political party.' Holding aloof from politics, the Federation aims at encouraging the formation of local, national and international unions upon the basis of the recognised autonomy of each trade, at fostering trade-union action proper, and bringing about legislation favourable to the interests of labour. Its policy, in short, is to concentrate trade-union action for common objects without destroying the individuality of the separate unions. The reduction of the hours of labour is given a prominent place in its programme. Contributions are made by the various unions to the Federation in proportion to their membership. During strikes and lock-outs constituent unions are entitled to receive subsidies after their own funds have been exhausted. In order to render finances elastic, the Federation reserves for itself the right of taxing its members when need arises. Conventions are held yearly. They consist of delegates from the

various unions included, each union having one representative at least and one for every 4,000 members.

In Levasseur's opinion the moral and political conditions of America are favourable to the organisation of labour, and of late he thinks American trade unionism has been pressing English unionism hard in respect both of resources and influence. On the other hand, the conditions of American life are less favourable to the stability, cohesion and uniformity of labour organisations. There is less homogeneity in labour and surroundings, though this disadvantage in the case of some trades is counteracted by the localisation of industries. Moreover the country is large in proportion to its population, and personal communication between representatives of certain districts is a matter of difficulty. Discordance is introduced by the variety of nationalities — many trade-union journals have to be printed in more than one language. Again, there is the restlessness of American life; the greater mobility of labour both geographically and economically, between classes and trades, in the United States than in Great Britain; and the wide range of economic qualities covered by employees in American works. Professor Münsterberg points out, however, that organisation is exhaustive in many of the leading trades. 'There are to-day over two million working-men united in trades unions: the number increases daily, and this number, which comprises only two-fifths of all wage-earners, is kept down, not because only two-fifths of the members of each trade can agree to unite, but because many trades exist which are not amenable

to such organisation; the unions include almost all men working in some of the most important trades. The higher the employment and the more it demands of preparation, the stronger is the organisation of the employed. Printers, for instance, almost all belong to their union, and in the building and tobacco trades there are very few who are not members. The miners' union includes about 200,000 men who represent a population of about a million souls. On the other hand, it would be useless and impossible to perfect a close organisation where new individuals can be brought in any day and put to work without any experience or training; thus ordinary day-labourers are not organised. The number of two million thus represents the most important trades, and includes the most skilled workers.'[1]

An interesting support of the view that the mobility of all classes in the United States causes instability in trade unionism is to be found in Mr. Graham Brooks's *Social Unrest.* This mobility has the effect of depriving trade unions of their best leaders. 'No sooner is the labour leader trained for his duties than he is likely to leave his union and "go into business." I can count from memory thirteen men in Massachusetts, who were in their time and place leaders, who now occupy positions in politics or in business. A friend who always defends the trade union tells me that in Chicago he knows of more than thirty men, formerly at the front in their respective unions, who now hold political office in that city. "They are always on the watch," he adds, "for better positions in other occupations, after they

[1] *The Americans*, pp. 327-8.

have struggled some years with the external, and more especially with the internal, difficulties of the unions." I asked one of the prominent leaders how he stood the strain which I knew was brought to bear on him. "I can't stand it long," he said; "I shall keep my eye open for a business position, and when I can leave my present place honourably I shall do it." In Pittsburg, during the steel strike, I tried to find some of the ex-presidents of that strong trade union. The most important of the former officials had gone into other occupations. That more solidified group consciousness that constitutes a class feeling of which radical Socialism makes so much is thus difficult to maintain in this country. Such danger as there is in this fighting class-spirit in the union is kept more keenly alive by those employers who think it the part of wisdom to defeat the real ends of organised labour.'[1]

It would seem that the older unions are the more conservative; they strike least and only after mature consideration, and give little countenance to the policy of the sympathetic strike spread through many trades. Mr. Carroll D. Wright, whose experience after his life-long familiarity with trade unions is unique, holds that American trade unionism generally is becoming more peaceable in its methods and more reasonable in its aims. The contrast between the objects of the Knights of Labour and those of the American Federation of Labour illustrates the correctness of this opinion.

Though it would be impossible here to discuss the law relating to trade-union activities in the

[1] Graham Brooks, *Social Unrest*, pp. 3–4.

United States in all the lengthy detail into which we thought it desirable to enter when dealing with the same question in England, a brief sketch seems called for. The situation is complicated in the United States by the different laws and precedents in the different States; broad aspects, therefore, are all that can be represented.

There are no laws in the United States exactly on the lines of the English Trade Union Act of 1871, and there is much doubt as to what the status of a trade union actually is when it is not incorporated. It would seem that a Taff Vale decision giving access to an unincorporated trade union's funds for the discharge of damages is quite possible. Occasionally, however, unincorporated trade unions are sued in the Courts. Numerous States have passed laws legalising combinations of working men and strikes. In the States which have not adopted such laws trade unions are never proceeded against as illegal combinations, practically speaking. In a few States, including New York and Pennsylvania, laws authorising the incorporation of trade unions have been enacted. A similar measure has been passed by Congress to cover the national trade unions. In New York alone is the number of incorporated trade unions at all large.[1] In connection with the contention that trade unions should incorporate, it is of interest to note that the great employers' associations are not incorporated, nor indeed are the New York Stock Exchange and other stock and produce ex-

[1] An investigation into the effects of incorporation in New York would be a most valuable work, but hitherto no such inquiry has been made as far as we are aware.

changes. The reason given by the Stock Exchange for its unwillingness to assume incorporation is that its powers of discipline would be trammelled by interference of the Courts and judicial delays. Trade unions, on the whole, refuse to be incorporated for a variety of reasons which are by no means less forcible than those which actuate the New York Stock Exchange.

The statute books of most of the Northern States contain enactments prohibiting any discrimination against union labour. In one State such a law has been held unconstitutional by the Courts, and a Federal Circuit Court has decided in the case of a railway that the company had a right under common law to insist on employees not being members of trade unions. There is far less agreement as to a workman's right to discriminate against non-union labour; as we shall observe later, the French Government, in proposing legislation upon this question, linked the two cases together. In numerous instances strikes against non-union workmen have been held in the Courts as criminal conspiracies or as civil injuries involving liability for damages. It has even been declared in the Court of Appeals in New York (1897) that an agreement between employers and trade unions for the engagement of trade unionists only is unlawful. Nevertheless understandings upon this point continue to be made, it would seem, and to be observed. In New York the Supreme Court, which is second only to the Court of Appeals, has on more than one occasion followed the precedent of Allen *v.* Flood,[1] interpreted

[1] For an account of this case see Appendix II. to this chapter.

in the sense that operatives may without breach of law strike against the employment of members of other unions or non-unionists. It is not known yet (so far as we are aware) what will be the attitude of the Court of Appeals to these decisions. On the other hand, the Supreme Court of Massachusetts had taken a line diametrically opposed to that adopted by the same Court in New York, though Judge Holmes, dissenting, declared, 'I think that unity of organisation is necessary to make the contest of labour effectual, and that societies of labour lawfully may employ in their preparation the means which they might use in the final contest.'[1] The legality of the strike, and threatened strike, against the employment of non-union labour has been upheld by the highest Courts in Indiana and New Jersey—in the latter State after passage of a measure allowing considerable latitude to trade unions. On the whole, the Industrial Commission concludes that 'the decisions of American Courts on the subject of attempts of combination of working men to procure the discharge or prevent the employment of others are exceedingly conflicting, although perhaps a majority of the decisions of the Courts of ultimate resort have hitherto maintained the illegality of such action.'[2]

The right of workmen to strike in order to better their condition is never questioned in ordinary circumstances. In the case of a railway the opposite view was taken by the Federal Circuit Court, on the ground that grave public injury would be inflicted.

[1] *Industrial Commission*, vol. xvii. p. cxvii.
[2] Vol. xvii. p. cxvii.

The decision was reversed on appeal. Railway work is of course exceptional. In some American States this has been recognised by statutes prohibiting railway employees from quitting work in such fashion as to endanger the safety of passengers and property. Sometimes railway strikers have been held guilty of a criminal offence in that their action interfered with the carriage of the mails. The sympathetic strike is in a more doubtful position. It has never been considered specifically by the higher Courts, but it is closely allied to the boycott, and upon this the ban of illegality has generally been placed. In no case has the legality of a boycott by working-men been actually upheld, though almost all States protect from infringement the union label, which is used to boycott non-union labour. The public temper in relation to the Trusts will probably check any latitude of action under this head: indeed the Anti-Trust Act of 1890 has been invoked against combinations of working-men.

In the matter of picketing, the trade unions have suffered a series of reverses unrelieved by a single important success. The presence of considerable bodies of strikers or their supporters at the entrance of a shop that is 'struck' is almost uniformly held 'intimidation,' which is illegal, as is also the use of any opprobrious language, including cries of 'Scab!' 'Intimidation' is so widely interpreted that the offence can generally be proved where picketing is undertaken. The Supreme Court of Pennsylvania has even held that it is unlawful to consume the time of men seeking work by trying to persuade them not to accept offers of employment. In certain other States

the practice of picketing itself has been declared illegal. In very few States has attending at or near a works to give information and persuade peaceably been judged permissible.

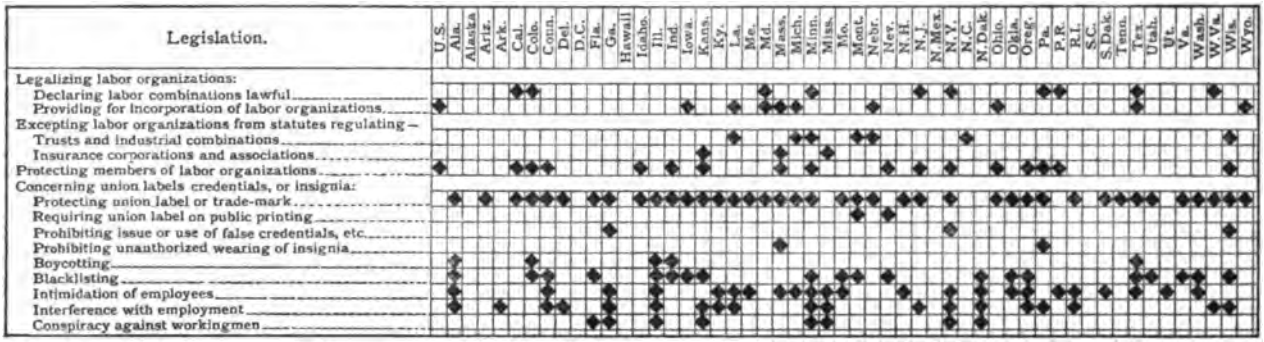
Much dissatisfaction has been expressed of late in the United States with the extent to which the injunction has been used to restrain trade unions. 'One serious ground of objection is that ordinarily not sufficient opportunity for hearing is given before the injunction is issued. Judges may issue injunctions either in open court or in chambers, and a temporary injunction may be granted with no notice whatever to those affected by it.'[1] It is true that before an injunction is made permanent a hearing is given to both parties, but sometimes the hearing is so long deferred that before it takes place the temporary injunction has effected all or most that the appellants desired. Complaint is made that the application of the injunction has been unduly extended, and that since violation of an injunction is contempt of court, and therefore punishable summarily by fine or imprisonment, acts which otherwise would be civil offences are rendered criminal, and persons are robbed of their rights to be tried by jury.[2]

The diagram on page 90 shews the trend of legislation relating to combinations of working-men as to which there is most unanimity of opinion in the United States, and the States which have proceeded furthest in legislating upon the matter.

[1] *Report of Industrial Commission*, vol. xvii. p. cxxi.

[2] In the above sketch of the law relating to combinations of workpeople, we have followed chiefly vol. xvii. of the *Industrial Commission*.

Labour Legislation in the United States.



France

The trade or professional *syndicats*, to which the law of 1884 (the French charter of trade unionism) applies, include, in addition to trade unions and employers' associations proper, as we understand them, industrial, commercial, and agricultural associations of various kinds. While the syndicats of workmen are as a rule trade unions, only a minority of the employers' associations in France exist primarily for the purpose of collective bargaining with the employees. As to the mixed associations or syndicats whose membership includes masters and workmen, it is obvious from their composition that they cannot be placed in the same category as offensive and defensive alliances formed for dealing with the wages question.

Our first object is to indicate generally the degree in which the French Government curtails, and has curtailed, the liberty of the individual to seek his interests by union with his fellows, in the matter of the relations between employers and employed. We must, therefore, consider the various enactments having reference to combinations for such a purpose, and the manner in which they have been administered. The key to a clear comprehension of the development of French law upon this matter is to be found in the distinction between a society and associated effort unconnected with a formal society.

The measure suppressing the gilds in 1791 was of the most drastic character. 'Citizens of the same state or profession, employees . . . workmen and journeymen of whatsoever kind' were not allowed to

'assemble together, appoint presidents or secretaries or syndics . . . keep records, form resolutions or decisions,' or 'make regulations as to their alleged common interests.' The formation of voluntary associations naturally succeeded the levelling of the gilds, but since they were regarded as in some degree a rehabilitation of the forbidden gilds, they were declared illegal in the very year of their birth. Both employers and employees connected with the professions, arts, or trades, were prohibited from holding deliberations or from making agreements among themselves unitedly to refuse or to accord only for certain prices the assistance of their labour. Articles 291 and 292 of the Penal Code of 1810 define the rights of association in general. It was declared that organisations of more than twenty persons were not to be formed without the sanction of the Government, and the Government was empowered to refuse applications arbitrarily, to impose conditions, and revoke permissions already granted. A supplementary law was enacted in 1834. Modifications have been introduced from time to time, but we are concerned only with those affecting the rights of employers and employees to combine.

The general object of revolutionary legislation, apart from its lighter treatment of employers, to be noticed later, had been to secure the individual in his rights as a man. It was natural that the reaction against the system of the *ancien régime* should be thorough. It was for succeeding generations to discover that the individual in having freedom thrust upon him by the famous law of March 17th, 1791, had been in many cases deprived of the power of bargain-

ing with the employer upon equal terms, if he were not, according to the extreme saying of Brentano, delivered over bound hand and foot to the caprices of capitalists. Under the ancient system the workers were oppressed by a multitude of regulations, imposed alike by corporations and the State, by which their choice of callings and power to make the best of their capacities were straitly curtailed. The work of suppressing this system, begun by Turgot, was completed by the sweeping legislation of 1791.[1] Of the purely destructive policy adopted by the new Republic, Leroy-Beaulieu has written thus: 'The legislature of the Revolution, whose sympathies were as a rule on the individualistic side, was certainly not hostile to workmen; but exclusively preoccupied in safeguarding the most recent and most important of conquests, the liberty of the individual, it did not hesitate to sacrifice the liberty of collective action, although such liberty constituted one form of the liberty of the individual.'[2] It is certain, too, that the full significance of the industrial changes advancing upon the country was not realised. These changes were probably but slight until after the Napoleonic era. As the new industrialism developed it was seen that collective action on the part of the workers had become essential. As industrial reconstruction took place the need of

[1] Turgot's edict suppressing the gilds was dated 1776. In the preamble these words occur: 'Dieu en donnant à l'homme des besoins, en lui rendant nécessaire la ressource du travail, a fait, du droit de travailler, la propriété de tout homme; et cette propriété est la première, la plus sacrée et la plus imprescriptible de toutes.' 'Nous regardons comme un des premiers devoirs de notre justice d'affranchir nos sujets de toutes atteintes portées à ce droit inaliénable de l'humanité . . . . qui esloignent l'émulation et l'industrie, et rendent inutiles les talents.'

[2] *Traité théorique et pratique d'Economie Politique*, ii. p. 898.

social reconstruction was felt. Liberty, in the form in which it had been conceded, was found to fetter the workmen in respect of those actions which helped them most. One striking example of the manner in which social reactions upon new circumstances were legally restrained is given by Leroy-Beaulieu in the work already cited. The celebrated Leclaire was actually refused permission by the police to call a meeting of his workmen in order to lay before them his scheme of profit-sharing.

The laws for the suppression of corporations and combinations were not so stringently enforced as to compel all kinds of association to dissolve. Side by side with the old corporations there had existed in most trades brotherhoods, which assisted their members in times of distress, provided them with information as to work, and helped them when unemployed to fresh positions.[1] These societies, although their mutual jealousies frequently caused trouble, were left undisturbed under the Empire and the Restoration. The succeeding Government, however, being determined to suppress all illegal associations, they were driven out of sight, though not actually out of existence.

Except for a brief period succeeding the Revolution of 1848, the law relating to organisations of masters or men of the type of English trade unions remained unaltered until 1884, but changes were made as regards the legality of temporary coalitions. While by the penal code all concerted action on the part of the employees in their relations to employers had been forbidden, corresponding action

[1] See Levasseur, *Histoire des Classes Ouvrières avant* 1789.

on the part of employers had been rendered punishable only in case of its being 'unjust or an abuse.' The use of these qualifying terms left the powers of employers undefined, and in effect allowed the administration to decide whether combinations against labour should be checked or not. It was the inequality of the law, however, which excited the hottest resentment, but it was not until 1849 that the discrimination was removed, when absolute prohibition was extended likewise to employers' coalitions.

The Act of May 25th, 1864, was adopted in consequence of protests against the severity of the law as it bore upon the operatives. For though after 1849 employers and employees were treated equally, the latter were by far the greater sufferers since their need was the greater. The new law permitted temporary coalitions to be formed by employers and employees for the purpose of improving their conditions, but strictly forbade the use of threats, violence, or *manœuvres frauduleuses*. No fundamental change in the law relating to coalitions has taken place since, but in order to make more definite what constitutes an abuse of the right to strike granted in 1864 a special law was passed in 1892, which enacts as follows:—

> Any person who, for the purpose of compelling the raising or lowering of wages or of making an attack upon the free exercise of industrial work or labour, commits acts of violence, offers injuries or threats, imposes fines, prohibitions, interdictions, or proscriptions of any kind, either against those who work or those who furnish others with employment, shall be punished by imprisonment of from one month to two years and a fine of from 50 to 1,000 francs, or one of these penalties only.

The same penalty shall be imposed upon those who make an attack upon the liberty of employers or working-men, either by congregating near establishments in which work is being carried on or near the dwelling-places of those who direct the work, or by perpetrating acts of intimidation toward working-men who are going to or returning from work, or by causing explosions near establishments in which work is being carried on or in localities inhabited by working-men, or by destroying the fences of establishments in which work is being carried on or houses or lands occupied by working-men, or by destroying or rendering unfit for the use for which they are intended tools, instruments, apparatus, or engines, or labour or industry.

Observe that societies for interference with the question of wages and similar matters still remained illegal after the passage of the Act of 1864. But, although such institutions were not permitted, they appeared in great numbers under the thinnest of disguises, and were suffered by the authorities, so long as they observed a decent reticence. At the time of the adoption of the charter of trade unionism in 1884 there were in Paris alone 237 workmen's syndicats containing 50,000 members, while in the departments some 350 more could be counted. They, and the employers' syndicats which also existed, were constituted of course 'under forms having a certain appearance of legality.'[1] Nevertheless, their chief objects being really illegal, there was always a fear that upon any point over which litigation arose the decisions of the Courts would turn against them owing to the insecurity of their legal footing. At length, on November 22, 1880, a

[1] Upon the history of French trade unions see *Etude historique &c. sur les Syndicats Professionnels* by Glotin. A good short account will be found in the Report on France for the Labour Commission.

Bill was brought in to render legal those associations which had long been permitted to exist illicitly. Some delay in the progress of the Bill was inevitable, and these associations did not therefore enter upon the legal phase of their history until March 21st, 1884. The Act contained the following important provisions:—

'Syndicats or trade associations, even those composed of more than twenty members of the same profession or of similar professions connected therewith for the supply of special products, may be formed freely and without the authorisation of the government. . . The founders of any trade syndicat shall report its articles of association. . . Trade syndicats regularly constituted in accordance with the provisions of the present law may meet freely for the consideration and defence of their economic, industrial, commercial, and agricultural interests. . . They cannot possess real property, nor can they appear in courts of justice. . . Trade syndicats of masters or workmen may take legal proceedings. They may make use of the funds derived from subscriptions. Nevertheless, they cannot acquire real estate other than such as shall be required for their meetings, libraries, and class rooms for technical instruction. They may, without authorisation, while observing the other provisions of this law, constitute among their members special funds to be applied for mutual aid and pensions. They shall be at liberty to open and to carry on the management of registry offices for the supply of, and demand for, labour. . . Foreign workmen and those employed as immigrants cannot be members of syndicats.'

Before proceeding to consider the consequences of the Act of 1884, we must notice briefly the law directed mainly against the International Working Men's Association. It was passed in 1872, some time after the institution of the International in France, and, it is said, when the influence of that organ had already sunk into insignificance. It declares 'that every international association, which, under any title, and especially that of the International Working Men's Association, has as its object the suspension of labour or an attack upon the right of property, the family, the country, religion, or the free exercise of religious beliefs, shall, by the mere fact of its existence and of its ramifications upon French territory, be an offence against the public peace.'[1] Heavy penalties were imposed upon those who joined such associations, which might be made more severe in the case of officials. Connivance in any way with the activities of such societies was also decreed criminal.

Immediate advantage was taken of the fresh liberties accorded to the syndicats in 1884, and their numbers increased every year, but there are still some irregular syndicats which have failed, through the ignorance, carelessness, or suspicion of their members, to comply with the simple formalities enjoined by the Act. It was stated officially in 1892 that 159 irregular societies of workmen and seven irregular agricultural societies existed. No figures

[1] Quoted from the *Bulletin of the Department of Labour, Washington*, No. 25, p. 889. In certain of these bulletins between 1899 and 1901 useful accounts will be found of the labour laws of many different countries.

as to irregular associations have been furnished in recent reports. It is probable that the number of irregular clubs is diminishing, misgivings as to the object of registration, and the intentions of the Government towards the workmen's societies having been allayed. Most of the irregular workmen's societies were located in the department of the Seine —as many as 136 out of 159. The seat of their united activities was the Paris Bourse du Travail. Of the character of the Bourse du Travail we shall speak later. The Government being tolerant no steps were taken against the irregular societies, but the Paris Bourse du Travail, which received a generous subvention from the municipality, was provisionally closed by the Government in 1893 for harbouring the irregular syndicats.

Unions or federations of syndicats were also permitted by the law of 1884. Unions of workmen in the same trade, unions of syndicats of different trades, of syndicats of masters with syndicats of workmen, of agricultural associations with workmen's syndicats, for example, are all fully countenanced. Women are included in some syndicats, and even women's societies are not unknown.

Besides acting as trade and friendly societies many of the syndicats have established libraries and undertaken educational work of a technical character. In the performance of these liberal functions they have been encouraged by the State, which has contributed towards the expense of such technical education as is thereby provided. Some have instituted exhibitions and trade conferences. Altogether the range of activities undertaken by

many of the syndicats is extraordinarily wide. The foundation of the Bourses du Travail, which dates from 1887, is connected with the syndicats. These institutions, which form centres for meetings, libraries and education, and serve as labour registry offices, are subsidised by municipal and departmental authorities.

Since 1884 further steps relating to the privileges of syndicats, which are comparatively unimportant however, have been taken by the Government, and other steps of more serious moment have been contemplated. The law of 1888 permitted associations of working-men (including trade unions) to bid for and undertake Government contracts under certain conditions, and the law of 1893 extended the privilege to include the public work of communes. Shortly after (in June 1899) Alexandre Millerand entered the Waldeck-Rousseau cabinet as Minister of Commerce and Industry. Millerand, besides being a Socialist, was, as he described himself, 'un partisan des syndicats incorrigible, impénitent.'[1] During his career as minister, from June 1899 to January 1902, he was responsible for many measures designed to improve the status and elevate the powers of the working classes, and of these, one of the most striking was the new trade-union law, which he induced the Government to bring forward, but which was left finally in a state of suspended animation. It recognised the right of the syndicats to acquire and hold every kind of real and personal property, and, on conforming with certain

[1] Speech delivered on November 7, 1901, at the opening of the session of the Dental College at Paris.

special requirements, to trade and thereby to develop and increase their resources. The objection that exclusive corporations would be created who would not admit more members when, if ever, they became comparatively enriched, or would admit them only upon practically prohibitive terms, was met by the argument that there would be nothing to prevent the formation of another syndicat in such circumstances. Further, the Bill proposed to endow unions of syndicats with full rights to enter a court of law and to possess the property essential for the exercise of their functions.

Next to the empowering of the syndicats to engage in business of any kind (which enabled them to tender for contracts), the chief feature of the Bill, and the most important of all, was the declaration that an employer who dismissed a workman for belonging to a trade union committed an actionable wrong[1]—which in many cases it would be exceedingly difficult to prove—as likewise did the syndicat which used the strike to compel a third party to enter its ranks. These innovations were justified on the ground that the State, having conceded to workmen the right to combine, could not regard any employer's threat to penalise all who did so as permissible; and that workmen not being legally compelled to enter the syndicat, and the employer not being bound by law to employ only organised hands, the artificial creation of such compulsions could not be legally upheld. Millerand's real object, no doubt, was to prevent employers from refusing to employ unionists.

[1] This was not the first instance of such a proposal being embodied in a Bill.

The syndicats are not strong enough to put a stop to this discrimination against their members themselves. The prohibition of the persecution of non-unionists by unionists was probably introduced because it seemed to be logically involved in the justification of the end really desired, or because it was calculated to reconcile employers (possibly even non-unionists) to the measure.

Much else having reference to the labour question was designed by Millerand in the two and a half years during which he held office. Closely related to the Bill considered above was another having application to strikes. Among the objects set forth in this proposal are, the creation of a 'permanent organisation of labour,' 'the establishment of solidarity among all workers,' and the development of 'social democracy.' The law was to be permissive in character and was to be applicable to any business providing work for more than fifty employees. Those who wished to come under it needed to contract to do so. Employees were required to be organised and to act through their representatives. On a dispute arising, the men's representatives and the employers, or their representatives, would meet. If they could not agree, conciliators were to be appointed from each side. If these again could not agree, or employers failed to appoint their conciliators, on the result of a secret ballot the works could be struck. In such case the discontinuance of work in the factory or factories involved became a legal obligation. The ballot had to be repeated weekly at least. At this position of apparent deadlock, on the request of either party, or of the authorities, the case could

be referred to the Labour Council, the court of arbitration of which would settle the matter, its decision being binding for six months. This proposed 'strike' law was variously regarded. On the whole, its reception by the French trade unions was, Mr. Ensor tells us,[1] distinctly hostile, and Leroy-Beaulieu declared that it meant 'the most colossal revolution that France has made since the Great Revolution.' It was not proceeded with.

The labour councils (*conseils du travail*) referred to above were a creation of Millerand's. They were to exist for districts and to be constituted in sections according to trades. They were to be composed equally of representatives of employers and employees who were organised. Again we observe Millerand's policy of encouraging the syndicats. The chief functions of the councils were, to advise, fix rates at which State contracts and certain other public contracts were to be carried out, report on unemployment and the execution of the industrial law, conciliate and act as courts of arbitration. In addition to these labour councils there is a supreme Labour Council in France dating from 1891, which was reformed by Millerand and made partially representative.[2]

We may suitably conclude this sketch of the position of trade-union organisation in France with quotations from some leading authorities as to the character of the French syndicats. Professor

[1] *Modern Socialism*, note on pp. 168–9.

[2] A full account of Millerand's work will be found in A. Lavy's *L'œuvre de Millerand*, 1902.

Schmoller, whose attitude to the aspirations of labour is no less friendly to-day than it was when, more than thirty years ago, as one of the original academic 'Socialists' (*Kathedersozialisten*) he assisted in the establishment of the *Verein für Sozialpolitik*, writing of trade unions in France, says:—'Of trade unions of the English type there are but few; such as exist are to be found chiefly among the printers and hatters. Most of the remainder are imbued with Socialism and revolutionary politics and governed by demagogues, and play their part in the internal quarrels of the labour party and the conflicts within it on the question of social ideals. Most of the trade unions suffer constant changes in their membership and in numbers. In many places contending trade unions are to be found in the same trade. Half revolutionary, half Utopian, general social questions are constantly under debate. . . . Bourdeau, who is friendly to the working classes, says that the French trade unions are weak and that their membership is thin; that their funds are under the control of leaders with much zeal but little experience, who desire war and conflict rather than peace, regard the reconciliation of labour and capital as impossible, and place their hopes in the State or in revolution.[1] Nevertheless, there are not wanting in France signs of improvement and of the emancipation of the trade unions from political demagogues, especially since the Congress of Rennes in 1898.'[2] Levasseur confirms the judgment of Schmoller, and Gide notices

[1] Bourdeau's article from which Schmoller is quoting appeared in the *Musée Social* for February 1899, under the title 'Le Mouvement Syndical en France, &c.'

[2] *Grundriss der Allgemeinen Volkswirtschaftslehre*, ii. p. 399.

the inferiority of French labour organisations as compared with the English. 'In this country,' Levasseur writes, 'the professional interests of the working-man are too often subordinated to politics.' And Leroy-Beaulieu complains of the unreasonable attitude of much of the organised labour in France. Lastly we may quote Mr. Henry Steele, who is equally well acquainted with England and France, and has worked as an artisan in both countries.[1] He points out that in France political awakening preceded economic organisation among the working classes, whereas in England trade unionism either preceded radicalism or was the leading movement. To this difference in antecedents he partially attributes the wholly diverse parts played by politics in the trade unionism of the two countries. Generally speaking, 'the trade unions in France are the direct outcome of the Socialist political movement, and the membership is almost confined to men having sympathies with the Communist ideal,' whether they believe in the value of taking a share in party politics or not.[2] There is even a marked tendency, we are told, for persons whose sympathies are not with the Socialists but with the other political parties to remain outside the syndicats. In England, on the contrary, the trade unions embrace all shades of political opinion. The avowed aim of the socialistic trade unions in France, which do not believe in the value of ordinary

[1] His book is entitled *The Working Classes in France*. An instructive article on French trade unions will also be found in the thirtieth Quarterly Report (Dec. 1906) of the General Federation of English Trade Unions.

[2] Of French Socialism a short account is given on p. 112. The above passage is quoted from p. 98 of Mr. Steele's book.

political action, is the organisation of the workers 'on an industrial basis, each according to his trade, for the purpose of preparing for the economic revolution. The principal, almost the sole, item of their propaganda is the General Strike. These unions are federated together and run a weekly paper to propagate their ideas.'[1] But 'in the more highly skilled trades, and notably in the engineering and metal trades, the basis of the (French) trade unions is tending to become more and more like that of the English organisations, and their objects are rather to protect themselves and secure the best possible advantages to their members in the present industrial system.'[2] The rules of the 'Union des Mécaniciens' for instance, we are informed, are very similar to those of the English Amalgamated Society of Engineers, though the latter institution is much the more vigorous. The Union des Mécaniciens is one of the strongest trade unions in France, but in England it would be regarded as financially very weak. Membership subscriptions are only 1*s.* 3*d.* a month; its out-of-work pay, which begins after two weeks' idleness, lasts for four weeks, and is at the rate of about 1*s.* 7*d.* a day (2 francs); its strike pay is at the rate of about 3*s.* at day (3*f.* 50*c.*). We may contrast with these arrangements the liberal provisions made by the English Amalgamated Society of Engineers. To this Association full members contribute 6*s.* per month of four weeks, exclusive of payments to the superannuation fund, in which nobody is compelled to take part. Unemployment pay applies to all out of work for three or more consecu-

[1] P. 95 *loc. cit.* [2] *Loc. cit.* p. 94.

tive days, and varies with the duration of the recipent's membership of the Society. Members of ten years' standing may draw weekly 10*s.* for fourteen weeks, 7*s.* for thirty weeks, and 6*s.* thereafter, providing that 19*l.* 18*s.* be the maximum received in any one year. Members of less than five years' standing enjoy the same advantages for the first fourteen weeks, receive thereafter 7*s.* a week for fourteen weeks only, and then 6*s.* for twenty-four weeks. Those who have been in the Society more than five years, but less than ten, are entitled to benefits of a value intermediate between those defined above. These rates are less than the sick benefits, and strike pay is higher than ordinary unemployment pay.

Germany

Schmoller considers that in Germany the connection between the old gilds and the workmen's combinations of the nineteenth century was close; that the gilds towards the end of the old order had become in numerous instances associations directed against undertakers with the object of improving the conditions of their members and raising their incomes; and that the modern trade union in some cases developed from the gilds. To-day outgrowths from an old social order are to be found existing side by side with the new. The labour question, therefore, broadly conceived, is not so homogeneous in Germany as in England, France, or the United States. In Germany gild organisation was assisted in order to strengthen the resisting power of the handicrafts at the oncoming of the industrial revolution.

Two groups of workmen's associations at least must be sharply distinguished among the institutions of Germany: those existing among handicraftsmen and those existing among workers employed in a scheme of modern industrialism. With the former we are not directly concerned.

Restrictions on the formation of combinations among employers or employed with the object of improving their economic conditions in relation to each other were removed in 1869. The present charter of trade unionism is Section 152 of the Industrial Code, which permits of coalitions among employers and employees for the purposes described above, and legalises strikes and lock-outs for securing these ends, though striking is actually impeded by the law of conspiracy. Trade unions, however, under a decision of the High Court, must not try to exercise an influence on public affairs. All exertion of physical force, threats, abuse, and intimidation of any kind, are forbidden. There is some doubt as to the legality of picketing. By an order in council of 1898 it was prohibited as disorderly conduct, but in 1900 the High Court held that the Senate of Lübeck had violated Section 152 of the Industrial Code by prohibiting picketing.[1] The detailed regulation of trade unions and employers' associations rests with the individual States. The right to hold property and all the rights of legal personality, including power to sue in courts of law, are still denied them. The close restriction of the German trade unions by law partially explains why they are more political

[1] Shadwell's *Industrial Efficiency*, ii. pp. 316–7.

in character than those of England or the United States.[1]

In Professor Schmoller's opinion the healthy development of trade unions in Germany is dependent upon their being conceded a more assured legal status. To define exactly their rights, he admits, will be a difficult task, as it has proved in other countries, in view of the socialistic tendencies of one section of the public, the predilection of another for untrammelled freedom, the timidity of the middle classes and the fear of industrial conflicts on a large scale. In Germany, both in the Reichstag and in print, the demand is constantly being advanced for laws similar to the English laws (as they were understood before recent decisions), the French law of 1884, or the Belgian law of 1898. 'As to the right of combination,' recently exclaimed Von Vollmar, from whom, however, as an ardent Social Democrat and enemy of the Government, an unimpassioned judgment could hardly be expected, 'no doubt it exists on paper; but of its effective realisation and its urgently needed safeguarding against capitalistic mastery nothing is yet said. Our governing circles in Germany regularly evince extreme distrust, and generally even public hostility, towards trade unions. Every possible hindrance is put in the way of their activity, while the quite inadequate right of association and combination is worn out in opposing them; juristic personality is withheld from them, and their members are excluded from public employments.'[2] Von Vollmar neverthe-

[1] See e.g. Shadwell's *Industrial Efficiency*, ii. pp. 316–7.

[2] Quoted from Ensor's *Modern Socialism*. The statement was made in an address delivered at Dresden in 1901. Von Vollmar is leader of the Reformist Socialists in the German Reichstag.

less concedes that the treatment of the trade unions is not uniform throughout the States, and that in some parts of the Empire, which do not include Prussia or Saxony, there 'may be noticed definite, though modest, beginnings for the better.' It is the fear of Social Democracy, combined with the aversion of employers under the factory system from all combinations of operatives (especially in view of the general belief of the latter in the doctrine of class warfare),[1] which has prevented a fuller recognition of trade-union activities. 'Naturally,' writes Professor Schmoller, 'strikes and the formation of trade unions are in no wise confined (by fuller recognition of trade-union activities being withheld); the trade-union movement is merely aggravated and impelled into a disorderly and intemperate line of growth.'[2]

Trade unions outwardly of the English form were established in and after 1865 by the followers of Lassalle, with the object of attracting the working classes into the ranks of the Social Democrats. Most of them enjoyed only a very brief existence; but shortly afterwards the followers of Marx, notably Liebknecht and Bebel, had somewhat greater success.[3] The unions that resulted from either effort are known as *Gewerkschaften*. In addition to the Gewerkschaften, other trade unions (*Gewerkvereine*) were established in and after 1868, by Dr. Max Hirsch and Herr Duncker, the former of whom, after some time spent in England, had become an ardent admirer of English trade unionism. These Gewerk-

[1] See p. 112 *et seq.*

[2] *Grundriss der Allgemeinen Volkswirtschaftslehre*, part ii. p. 397.

[3] Shadwell's *Industrial Efficiency*, ii. p. 322.

vereine are supposed to be independent of all political parties; but since 1876 members have been required to sign a declaration to the effect that they are not Social Democrats. The other trade unions, which will be described later, are the Christian unions and the independent Gewerkschaften.

The situation in Germany will not be understood properly without some account being given of German Social Democracy. Socialism is practical politics in Germany as it is not in England. It is perfectly correct to say that the labour movement in Germany has crystallised chiefly in the party of the Social Democrats,[1] while in England it is expressed principally in trade unionism. It was the teaching of Lassalle, as we have seen, which led to the foundation of the Gewerkschaften. The followers of Lassalle differed from those of Karl Marx in that the former believed in the piecemeal creation of a socialistic system by State action, whereas the latter at first did not, though after Marx's temporary inclination to physical force theories, he trusted as much as Lassalle to the use of constitutional machinery. The other groups to which the term 'Socialist' is applied, inappropriately sometimes—the academic Socialists (*Kathersozialisten*) who established in 1873 the *Verein für Sozialpolitik* (which comprised, amongst others, Roscher, Schmoller, Wagner, Brentano, Schäffle, Schönberg, Held, Conrad,

[1] Over three and a quarter million votes were cast for the Social Democrats in 1907, but the subscribing members of the party number less than half a million. The strength of the Social Democratic party in the Reichstag (it was eighty-one in 1908) has never come up to its voting power, because its strength is greatest in the towns which are relatively under-represented.

Knies and Gneist); the Christian Socialists, and the Conservative Bureaucrats, whose ideal was a benevolent despotism—are not of any special interest for our present purposes.

The distinction between the 'Marxist' or 'revolutionary Socialists' and the 'Reformists' or 'Opportunists' still subsists. The former emphasise the class war (*Klassenkampf*) and the latter, while not rejecting this doctrine as regards present conditions, tend to lay stress on the ultimate solidarity of all classes. The former are afraid of compromises, and distrust a policy of tardy approaches to the socialistic State by tortuous routes; the latter believe in permeation, the exploitation of existing parties, seizing small opportunities, and the gradual and insensible insinuation of a socialistic system by State action. It must not be thought that the doctrine of the *Klassenkampf* implies the necessity of a revolution by force. By it is meant that there is a fundamental conflict of interest between wage-earners and capitalists which can only be completely resolved by a socialistic reconstruction of society. The same two groups of Socialists are to be found in France and in most countries. One of the most famous of the French opportunists is Millerand, who became Minister of Commerce and Industry in the Waldeck-Rousseau coalition cabinet. It was in consequence of the failure of a resolution to exclude him from the French socialistic party that the extremist 'revolutionists' seceded and organised themselves as the socialistic party of France.[1]

[1] A detailed exposition of recent Socialist movements will be found in Ensor's *Modern Socialism*. In France, at the general election of

Of the present attitude of Socialists to the trade unions in Germany, Mr. Ensor, who has recently made a study of the bearings of modern Socialism, writes:—'Most typical of the difference between revolutionaries and reformists is their attitude to trade unions. The Marxian view came out well at the German party's Cologne Congress in 1893, and may be read in a speech made by Liebknecht on its morrow at Bielefeld. It recognises their achievement; Liebknecht in the speech cited extolled the English coal-strike then in progress, and not only brought out the militant advantages of combining German political and English trade-unionist organisation, but showed himself partly conscious that trade unionism might not be superseded by Socialism even when victorious. But it feels that trade unions, as they exist, often supplant and delay Socialism, and it only trusts them under reserves. Whereas reformist Socialism thinks them stepping-stones and is all for them.'[1]

At their congress at Jena in 1905, the Socialists, under the guidance of Bebel, adopted a resolution advocating the general strike as the most suitable response to any attempt on the part of the Government to deprive the people of their political rights. This advice alarmed the trade unionists, especially as it seemed to endorse the views of those Socialists (who are regarded by sober trade unionists with extreme distrust) who believe with the Confédération

May 1906, fifty-two members of the United Socialist party were returned, and twenty-two Independent Socialists. The numerical strength of the Socialist party in the Reichstag is stated in a note on page 481.

[1] Ensor, *Modern Socialism*, pp. xxxii–iii.

Générale du Travail in France that parliamentary action is futile, and put their trust in more revolutionary methods. At their congress at Berlin the trade unionists responded to the advice of the Social Democrats by repudiating the political strike, but an open split has been averted by Bebel's resolution at the Mannheim Congress affirming that the general strike should be considered only as an ultimate resort. The incident illustrates both the difference of the relations between Socialism and trade unionism in England and Germany, and also the growing independence of the trade unions in the latter country.[1]

Encouraged by the liberal legislation of 1869 and a tolerant administration, workmen's associations assumed some prominence shortly after their inception, but the labour movement was rudely shaken in 1878 by the anti-socialistic Act of that year, which brought about the collapse of the greater part of the Gewerkschaften established by the Social Democrats. The depression which followed this savage blow, and affected the whole German labour movement, although Socialism alone had been made the object of the State's attack, was not immediately dispelled, nor was it possible all at once to re-direct the activities of the labour movement. The connection between Socialism and trade unionism in the Gewerkschaften having been so close, the suppression of the former was naturally accepted at first as a suppression of the latter. Somewhat the same climax had been

[1] An interesting article on this incident appeared in the *Manchester Guardian* on October 4, 1906. Russell's *German Social Democracy* gives a full account of Socialism in Germany.

reached in England nearly half a century earlier, though not in consequence of the action of the State. Trade unionism had allowed itself to be in large part absorbed in the Socialism connected with the name of Robert Owen, and, upon the failure of this Socialism as a practical policy, trade unionism was left in a state of temporary wreckage. In Germany the revival after the shock of 1878 began to show itself about the middle 'eighties,' and in the last decade of the nineteenth century the German trade-union movement, which in some cases had extended to national federations, had become of considerable importance.

The programme of the Hirsch-Duncker associations, the aims of which are defined by rule as 'the protection and development of the rights and interests of members by legal methods,' includes at present (1) a living wage to cover also insurance against every kind of inability to work, (2) the limitation of working hours to ten, (3) avoidance of Sunday and night work as much as possible, (4) protection of women and children, (5) protection against prison labour, (6) the avoidance of disputes by the establishment of permanent boards of arbitration, with representatives from both sides and an impartial president. As almost from their earliest days these societies have collected funds for insurance purposes, and have relied upon them to attract members, they were naturally opposed to compulsory State insurance. This opposition is now less than it was, partly, no doubt, because the unemployed benefit (which is generally about 7*s.* 6*d.* a week for not more than thirteen weeks) seems sufficient

to preserve their popularity as friendly benefit institutions.[1]

The Christian unions are young as yet and appear to be lacking in definiteness of form, aim, and policy. Their title 'Christian,' which is apt to mislead, was adopted merely because the Gewerkschaften were allied with Social Democracy, and the Christian unions arose out of opposition to the positive anti-religious element which used to be prominent in Social Democracy. The Christian unions aim chiefly at the efficient administration of existing social laws, their extension and co-operative self-help.[2] Their distinction from the Hirsch-Duncker associations, with which, however, they are in warm sympathy, is that they believe in a more energetic reform policy in the interests of labour than the latter, who confine themselves too much, as the Christian unions think, to pecuniary benefits. The Christian unions are said to look forward ultimately to amalgamation with the free Gewerkschaften.[3]

The question of policy with reference to trade-union activity is constantly under discussion among the Social Democrats; there are many who would like to see more concentration upon this line of effort; but on the whole the tendencies have been in favour of making the most of the political work. This explains why it is that friendly benefit was always undeveloped in the socialistic trade unions: recently

[1] On the above see article in the *Handwörterbuch der Staatswissenschaften* of Conrad and Lexis (edit. of 1900) on Gewerkvereine. Kulemann's *Gewerkschaftsbewegung*, 1900, must also be referred to as a leading authority.

[2] Shadwell's *Industrial Efficiency*, ii. p. 827.

[3] *Ibid.*

the action of the State in the matter of workmen's insurance has rendered the functions of the trade unions in this direction far less requisite. The foregoing notwithstanding, trade unionism among the Socialists has made a notable advance of late years. At first the strength of the political party was needed to impart influence to the trade unions, and the trade unions were naturally subordinated to political ventures. Now, however, the trade unions have become strong enough to assert some independence, and the professional trade leader of the English type is displacing the mere Socialist propagandist. This movement towards specialised trade-union activity may be remarked also among other workmen's associations, and Professor Schmoller foretells that in another ten years, if it continue, from two to three million German workmen will be found in the trade union proper. The rate of growth to-day of the unions under the Social Democrats is rapid. Mr. Shadwell thinks that the present unionism of this type is not the creation of Socialism, though so closely linked with it, but results from an independent impulse.[1] Its connection with the Social Democratic party is vague and undefined.

Continental trade unions with but few exceptions —for instance, the German printers—do not possess in the same degree as English trade unions carefully designed constitutions and expert professional leaders, but abroad as here the simple democratic form has generally been displaced by a certain measure of centralisation. The small local union with a few hundred

[1] *Industrial Efficiency*, p. 323. See also pp. 114–5 above.

members, in the management of which the general meeting played a large part, was liable to act hastily and in the heat of passion. As the union became larger and included branches in different places, more of the management of disputes fell upon the officials, who were less likely to take a one-sided view or to exaggerate a grievance than the workmen who had suffered it. Hence one important reason for the greater smoothness with which the system of employment in factories is working to-day in England than heretofore.

The most important statistics relating to trade unions in the four leading countries are presented in Appendix I. to this Chapter.

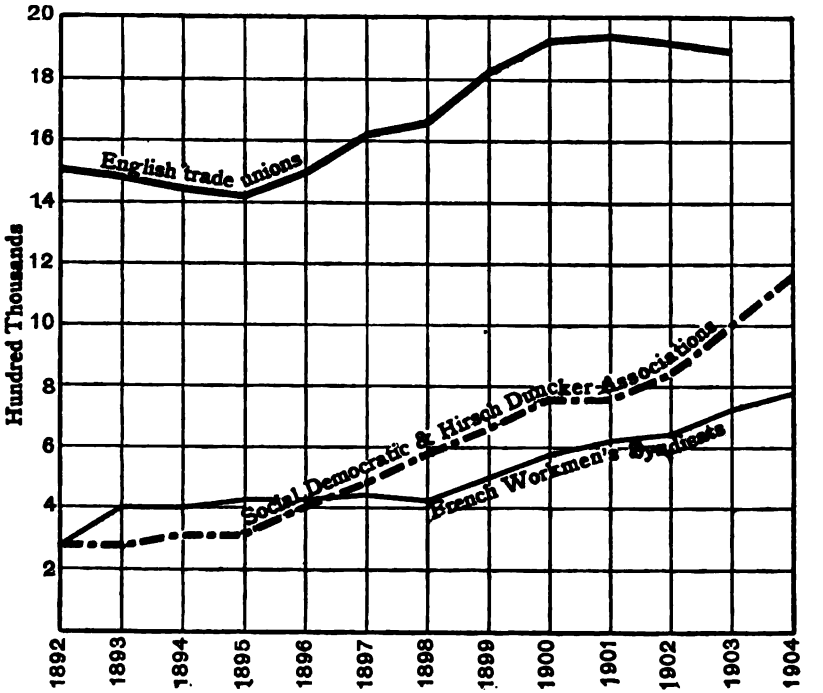
Selected figures are shown graphically on the diagram on page 119. The figures underlying the diagram have not been stated in proportion to population, as the number of industrial workers, among whom trade unionism is strongest, is not proportional to population, but the populations of the four countries should be borne in mind: they were estimated to be as follows, in 1903, in millions:—United States, 80·37; Germany, 58·57; France, 39·14; United Kingdom, 42·37.

In the curves for France no account is taken of the agricultural syndicats. The curve for Germany does not include members of the Christian unions, or any unions outside the Social-Democratic organisation or Hirsch-Duncker association, and for the years 1890 to 1892 the membership of the last has been estimated.

The rapid sweep up of the French and German curves, as compared with the curve for England, is to

be explained by the fact that in 1892 trade unionism was far more extensive and effective in England than on the Continent.

MEMBERSHIP OF TRADE UNIONS.



APPENDIX I. TO CHAPTER II.

STATISTICS OF TRADE UNIONS

Trade Unionists in Different Countries.[1]

—	Total Membership (in Thousands)	Female Membership (in Thousands)	Population 1900–01 (in Millions)
American Federation of Labour[2]	1,675	—	—
Great Britain and Ireland	1,902	119	41·5
Germany	1,277	47	56·4
France	716	60	38·3
Italy	181	—	32·5
Austria	178	12	26·2
Australia	101	—	3·8
Denmark	88	7	2·5
Belgium (Socialist Unions), 1902	84	3·1	6·7
Sweden	69	3·8	5·1
Spain	57	—	18·6
Hungary	52	1·8	19·8
Switzerland (National Federation)	26	—	3·3
New Zealand	24	—	·77
Netherlands (National Federation)	17	—	5·1
Norway	16	·9	2·2

This table may be supplemented by the following (quoted from the 'Third Abstract of Foreign Labour

[1] Quoted from Bulletin 24 of the State of New York. The figures are culled from the returns of State Bureaux. They relate, as a rule, to six or twelve months in 1903, but some cover a period extending into 1904. The figure for France is too high (see notes on French trade unions below).

[2] Though far the biggest, this is not the only federation in the United States, and outside the Federation there are about a dozen national unions, the most important of which are the five railway brotherhoods, with a membership exceeding 200,000. Moreover, all unions in the Federation of Labour do not report their entire membership.

Statistics') covering some years, but relating to fewer countries:—

TOTAL RECORDED MEMBERSHIP (IN THOUSANDS) IN EACH OF THE UNDERMENTIONED YEARS.

Year	United Kingdom[1]	Germany (all Unions)	France	Austria	Denmark	United States	
						Federation of Labour	New York State
1896 .	1,508	—	422	98	—	—	170
1897 .	1,684	—	—	—	—	264	168
1898 .	1,661	—	437	—	—	278	171
1899 .	1,821	864	419	119	—	349	209
1900 .	1,928	995	491	—	96	548	245
1901 .	1,940	1,008	588	119	—	787	276
1902 .	1,926	1,092	614	135	96	1,024	329
1903 .	1,904	1,276	643	154	88	1,464	395
1904 .	1,866	1,466	715	189	90	1,675	391
1905 .	—	—	781	823	—	1,494	382

The low percentage that the trade unionists form of the population is apt to be misleading. To form an idea of the extent of trade unionism in any country it would be necessary to compare the number of trade unionists, not with the population, but with the numbers of workpeople who could be organised in such associations. Mr. and Mrs. Webb estimated that in 1892 the trade unionists of the United Kingdom numbered roughly 20 per cent. of the adult male manual-working population. It must be remembered that trade unionism is practically co-extensive with some callings, and that trade-union organisation cannot be maintained with equal ease in all trades; scattered agricultural labourers, for instance, are more difficult to combine than the cotton operatives

[1] Including female members and members abroad. In 1904 the female members numbered 125,106 and the members abroad 16,120.

concentrated in dense groups in Lancashire. We can readily understand, therefore, why the percentages of the population formed by trade unionists are so different in the various parts of any country.

America

THE FEDERATION OF LABOUR.[1]

Year	Charters Issued				Total Membership[2] (in Thousands)	National Unions Affiliated	Receipts (1,000 £'s)	Expenditure (1,000 £'s)
	National Unions	State and City Federations	Local Unions	All Organisations				
1897 .	8	20	189	217	264	55	3·9	4·0
1898 .	9	12	182	203	278	67	3·9	4·0
1899 .	9	86	405	450	349	78	7·7	6·4
1900 .	14	101	734	849	548	82	14·8	14·2
1901 .	7	127	782	916	787	87	24·0	24·7
1902 .	14	188	877	1,024	1,024	97	30·1	24·8
1903 .	20	174	1,189	1,383	1,465	118	51·6	40·8
1904 .	11	104	328	443	1,675	120	46·0	42·5

The membership of the American Federation of Labour was 40,000 on its foundation in 1881. In 1892 it amounted to 250,000. The numbers recorded in the above table are too low, as some unions contribute upon a total far short of their entire membership. Thus the ironmoulders were returned as 30,000 in both 1903 and 1904, whereas, according to their own documents, their numbers exceeded 76,000 in the middle of 1903.[3] The enormous growth of the

[1] Compiled from the Secretary's Report to the Convention in 1904, and printed in Labour Bulletin 24 of the State of New York.

[2] The membership represents the number of members paying dues to the Associated Federations of Labour averaged for the twelve months ending October 31 each year from 1897 to 1901, and ending September 30 in succeeding years.

[3] See Labour Bulletin 24 of the State of New York.

American Federation of Labour measures the success of this particular organisation, and not the growth of trade unionism.

The benefits paid to members by the sixty-six international organisations in the Federation of Labour in the year ending September 1904 are stated below. These figures, however, do not include nearly all the benefits paid by unions in the Federation of Labour. The local unions attached to the international unions also provide benefits and expend upon them larger sums than the parent bodies. They are chiefly valuable, therefore, as affording some idea of the ratio of expenditure on different objects.

	Thousand £'s
Death benefits	156
„ „ members' wives	8·6
Sick benefits	151
Travelling benefits	14·6
Tool Insurance	1·17
Unemployed benefit	15·5

According to the membership reported to the Federation, its largest constituent trade union is the United Mine Workers, with an average number of nearly 260,000. Next to it stands the Brotherhood in which are united more than 155,000 carpenters and joiners. Five other unions have a membership exceeding 50,000—namely, the Teamsters, the Brotherhood of Painters, the Machinists, the Longshoremen and Retail Clerks. Four others have nearly 50,000 members—namely, the Hotel and Restaurant Employees, the Printers, the Garment Workers, and the Cigar Makers.

Germany

TOTAL MEMBERSHIP (IN THOUSANDS) OF ALL TRADE UNIONS IN THE GERMAN EMPIRE, 1899–1904.[1]

Compiled from 'Reichs-Arbeitsblatt,' the journal of the German Labour Department.

—	1899	1900	1901	1902	1903	1904
Social Democratic Trade Unions (Gewerkschaften):—						
Central Federations . .	580	680	677	733	887	1,052
Local Unions	15·9	9·8	9·3	10·0	17·5	20·6
Total 'Gewerkschaften' . .	596	690	686	743	905	1,072
Hirsch-Duncker Trade Unions (Gewerkvereine)	86	91	96	102	110	111
Christian Trade Unions:—						
Affiliated to Central Federations	Not given	Not given	84	84	91	107
Other			90	105	101	99
Total Christian Trade Unions .	112	159	175	189	192	207
Other Trade Unions (non-federated)	68	53	49	56	68	74
Total of all Unions . . .	864	995	1,006	1,092	1,276	1,466

According to Conrad and Lexis,[2] the membership of these unions was 100,400 in 1885–6, 103,300 in 1887–8, 135,400 in the spring of 1889, and 277,100 in the spring of 1890. To-day, as we observe above, it has passed the million.

The membership of the largest national trade unions in Germany in 1903 is given beneath in thousands:—

[1] These figures differ slightly in certain cases from those in the following tables. In some cases the former are revised figures, in others they do not refer to the same period of the year as those in the detailed tables.

[2] *Handwörterbuch der Staatswissenschaften* (article on 'Gewerkvereine').

Trade	Affiliation	Total Membership
Metal workers	Social Democratic	160·1
Masons	Social Democratic	101·1
Wood workers	Social Democratic	79·7
Miners	Christian Union	60·1
Textile workers	Social Democratic	54·5
Railway mechanics	Independent Christian Union	48·1
Machinists and metal workers	Hirsch-Duncker[2]	43·0
Miners	Christian Union[3]	40·8
Factory helpers	Social Democratic	37·0
Printers[1]	Social Democratic	35·9
Carpenters	Social Democratic	27·2
Labourers in trade and transportation	Social Democratic	26·8
Shoemakers	Social Democratic	25·5

MEMBERSHIP (IN THOUSANDS) OF CENTRAL FEDERATIONS OF THE SOCIAL-DEMOCRATIC TRADE UNIONS (GEWERKSCHAFTEN) IN THE GERMAN EMPIRE. GROUPED BY TRADES.

Group of Trades	1900	1901	1902	1903	1904	Average 1900–1904
Building trades	154	150	154	189	248	179
Mining	36	38	41	60	75	50
Metal and shipbuilding trades	124	118	145	177	197	153
Textile trades	34	28	38	54	53	42
Clothing trades	40	42	45	53	55	47
Transport, warehousing, and commercial employment	20	21	28	30	40	27
Printing trades	48	51	56	68	72	58
Woodworking trades	80	77	77	87	105	86
Glass and pottery trades	34	37	36	37	38	37
Food and tobacco trades	38	39	41	45	56	44
Leather and fur trades	9·6	9·9	9·2	12·6	14·1	11
Factory operatives (without distinction of trade)	30	31	33	37	49	37
Shop assistants	·750	·900	1·7	2·7	3·3	2
Municipal employees	4·0	5·1	6·1	8·9	12·1	7
Other trades	22	23	22	26	33	26
Total	680	677	733	887	1,052	806

[1] Exclusive of those of Alsace-Lorraine.

[2] Only two other Hirsch-Duncker unions had more than 10,000 members—namely, the Factory and Hand-workers with 22,000, and the Mercantile Clerks (*Kaufleute*), with 10,706.

[3] The only other Christian union with more than 10,000 members was the Textile Workers, with 16,600.

NUMBER, MEMBERSHIP, INCOME, EXPENDITURE, AND FUNDS IN HAND GERMAN EMPIRE,

Compiled from 'Correspondenzblatt der Generalkommission der Gewerk- (Gewerkschaften). Quoted from the Third

Membership, Funds, &c.	1891	1892	1893	1894	1895
NUMBER AND MEMBERSHIP.					
Number of Central Federations	62	56	51	54	53
Number of Branches	2,551	3,956	4,133	4,350	4,819
Membership of Central Federations—[1]					
Male (thousands)	—	232	218	241	252
Female	—	4·3	5·3	5·2	6·7
TOTAL (thousands)	277	237	223	246	259
Approximate Membership of Non-federated Local Unions (thousands)	10·0	7·6	6·2	5·5	10·7
TOTAL MEMBERSHIP (thousands)	287	244	229	252	269
INCOME AND EXPENDITURE.					
Number of Central Federations making returns as to their finances under some or all of the heads stated below	50	51	49	45	48
TOTAL INCOME FOR TRADE-UNION PURPOSES	1,000 £'s 55	1,000 £'s 101	1,000 £'s 113	1,000 £'s 134	1,000 £'s 151
EXPENDITURE.					
Trade Purposes (Strikes, Legal Assistance, Support of Discharged Employees)	80[2]	14·5	5·3	10·8	15·4
Unemployed, Travelling, Sick and Superannuation Benefits, and Special Allowances (Migration, Death, Distress)		39	44	52	49
Publication of Federation Journal		14·2	14·6	13·2	13·7
Propaganda		1·6	2·1	2·3	2·6
Sundry Expenses		·088	13·6	7·2	1·8
Employment Bureau		—	—	—	—
Libraries		—	—	—	—
Office Expense of Head Offices (including Salaries, Cost of Congresses, Subscriptions to General Committee, and Costs of Lawsuits)		10·1	11·3	9·4	12·7
Balance of Contributions remaining with Branch Offices	Not stated	9·4	13·6	7·0	14·1
Funds in Hand	21·3	32	40	66	82

[1] The figures as to membership rest partly on estimates; for 1891–1893 the number of members numbers at the end of each quarter. The totals differ in 1891–1894 and 1897 from those given by trades.

[2] Including 304 as to whose sex no information is given in the source.

OF THE SOCIAL-DEMOCRATIC TRADE UNIONS (GEWERKSCHAFTEN) IN THE 1891–1904.

schaften Deutschlands,' the organ of the Social-Democratic Trade Unions Annual Abstract of Foreign Labour Statistics.

1896	1897	1898	1899	1900	1901	1902	1903	1904
51	56	57	55	58	57	60	62	62
5,430	6,151	6,756	7,632	8,220	8,366	8,634	9,264	9,569
313	397	480	561	657	653	704	846	1,003
15	14·6	13·4	19·2	22·8	22·6	23·2	40	48
339	412	493	580	680	677	733	887[a]	1,052
5·8	6·8	17·5	15·9	9·8	9·3	10·0	17·5	20·6
335	419	511	596	690	686	743	905	1,072
50	52	57	55	58	56	60	62	62
1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
180	204	275	384	472	486	554	821	1,009
50	47	57	111	139	108	113	246	330
54	56	60	74	96	147	175	165	224
18·1	21·9	25·9	30·1	25	39	39	44	54
4·3	5·4	6·8	10·0	14·0	16·2	19·5	28·6	48
3·4	3·1	5·3	7·3	19·5	19·1	14·6	16·9	45·2
—	·056	·19	·14	·21	·27	·27	·39	·62
—	—	—	·22	·34	·34	·25	·74	1·3
14·6	16·4	21·1	24·8	29·4	32·8	37·0	41·9	55·9
21·1	27·3	36	65	68	84	99	141	59
116	147	218	278	387	439	512	628	805

given is that at the end of the financial year, for 1894 and onwards the mean between the in the succeeding table, being revised figures. It was not possible to classify the revised totals

[a] It is not possible to distinguish the different items of expenditure in 1891.

NUMBER, MEMBERSHIP, AND EXPENDITURE ON CERTAIN BENEFITS OF THE HIRSCH-DUNCKER TRADE UNIONS (GEWERKVEREINE), AFFILIATED TO THE FEDERATION OF GERMAN TRADE UNIONS IN THE GERMAN EMPIRE, 1892–97 AND 1899.

Compiled from 'Arbeits-Statistik der deutschen Gewerkvereine (Hirsch-Duncker),' and from 'Der Gewerkverein,' both published by the Federation of Hirsch-Duncker Trade Unions (Gewerkvereine). Quoted from the Third Annual Abstract of Foreign Labour Statistics.

—	1892	1893	1894	1895	1896	1897	1899
Number of local unions comprised in Federation .	1,313	not stated	1,436	not stated	not stated	1,633	not stated
Membership of unions making returns (thousands)	57	61	67	67	71	79	86
Benefits paid by unions making returns:—	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
Unemployed, travelling, migration [1] . .	3·3	2·7	3·0	3·2	3·0	3·4	4·2
Dispute	·07	·04	·06	·18	·41	·33	·58
Relief in special distress	·54	·5	·52	·51	·53	·77	·64

[1] All the trade unions included in the returns do not pay all the benefits mentioned in the table.

NUMBER, MEMBERSHIP, INCOME AND EXPENDITURE OF THE HIRSCH-DUNCKER TRADE UNIONS (GEWERKVEREINE), AFFILIATED TO THE FEDERATION OF GERMAN TRADE UNIONS IN THE GERMAN EMPIRE, AND PROPERTY OF SUCH UNIONS AND FEDERATION, 1900–1904.

Compiled from statistics published in 'Der Gewerkverein,' the organ of the Hirsch-Duncker Trade Unions (Gewerkvereine). Quoted from Third Annual Abstract of Foreign Labour Statistics.

—	1900	1901	1902	1903	1904
Number of Local Unions affiliated to Federation	1,828	1,891	1,992	2,085	2,172
Membership of Unions (thousands) .	91	96	102	110	111
Income:—	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
Subscriptions and entrance fees .	29·3	32·0	33·9	39·8	47·2
Other receipts	2·1	4·0	6·0	6·6	6·2
Total income . . .	31·4	36·0	40·0	46·4	53·4
Expenditure:—					
Unemployed benefit and dispute pay		9·2	12·3	12·5	12·8
Travelling and migration benefits and relief in special distress [1]	9·2	2·8	3·1	3·4	3·7
Legal assistance	·43	·42	·41	·49	·68
Expenses of administration . .	5·5	8·4	7·5	8·4	9·5
Moneys invested	5·0	2·4	1·2	15·2	17·5
Other expenditure	12·2	12·1	14·0		
Total expenditure . .	32·5	35·7	38·6	40·2	44·4
Property (for trade purposes):—					
Of Unions	56·8	61·5	60·2	not stated	not stated
Of Federation	4·2	3·8	4·2		

[1] Exclusive of contributions of unemployed members remitted, amounting to 157*l.* in 1892, 169*l.* in 1893, 163*l.* in 1894, 182*l.* in 1895, 125*l.* in 1896, and 131*l.* in 1897; in 1899, however, such contributions are *included* in unemployed benefit.

The unions (Gewerkschaften) paying the highest contributions are the following:—

—	Membership	Annual Contributions[1]
Printers	86,000	57*s.* 2*d.*
Printers, Alsace-Lorraine	800	46*s.* 10*d.*
Carvers	4,000	41*s.* 7*d.*
Musical-notes engravers	328	57*s.* 2*d.* to 72*s.* 10*d.*
Tobacco workers	17,500	18*s.* 2*d.* to 89*s.*
Potters	9,500	18*s.* 2*d.* to 28*s.* 7*d.*
Cigar sorters	1,800	15*s.* 7*d.* to 46*s.* 10*d.*
Carpenters	27,800	18*s.* to 88*s.* 8*d.*
Wall-paper pattern makers	321	20*s.* 10*d.* to 41*s.* 6*d.*
Glass workers	5,514	10*s.* 5*d.* to 26*s.*
Glovers	8,100	23*s.* 5*d.*
Hatters	8,800	15*s.* 7*d.* to 23*s.* 5*d.*
Coppersmiths	8,200	26*s.*
Lithographers	9,200	26*s.*
Masons	101,000	10*s.* to 24*s.*

CONTRIBUTIONS TO SIMILAR TRADE UNIONS IN ENGLAND AND GERMANY.

Constructed from tables given in 'Erster Internationaler Bericht über die Gewerkschaftsbewegung,' 1908 (published 1904).

ENGLAND		GERMANY	
Organisation	Contribution per Year and Member	Organisation	Contribution per Year and Member
Clothier operatives	£1 19*s.*	Tailors	18*s.*
Tailors, Amalgamated Society	£1 14*s.* 8*d.*		
Engineers, Amalgamated Society	£3 18*s.*	Metal workers	£1 0*s.* 10*d.*
Glass blowers	£2 16*s.* 4*d.*	Glass workers[2]	10*s.* 5*d.* to £1 6*s.*
Fancy leather workers	18*s.*	Leather workers	18*s.* 2½*d.*
Navvies, bricklayers, &c.	£2 8*s.* 4*d.*	Masons[2]	10*s.* to £1 4*s.*
Painters and house decorators	£1 14*s.* 8*d.*	Painters[2]	16*s.* 6*d.* to £1 1*s.* 9*d.*
Pottery Engravers' Union	£1 6*s.*	Porcelain makers[2]	18*s.* to £1 0*s.* 10*d.*
Smiths and strikers	£2 8*s.* 4*d.*	Smiths	15*s.* 7*d.*
Seamen and marine firemen	£1 6*s.*	Sailors	12*s.*

[1] Most of the annual contributions are less than 20*s.*

[2] Contributions vary.

The membership of the Hirsch-Duncker associations was 16,200 in 1872, and 14,900 in 1879.

HIRSCH-DUNCKER ASSOCIATIONS, 1904.[1]

—	Membership in Thousands at the End of the Year	Contributions and Entrance Fees in Thousand £'s	Approximate Annual Payments per Member
Machine and metal workers	48·62	28·19	10*s.* 6*d.*
Factory hands and mechanics	21·18	5·68	5*s.* 4*d.*
German clerks (Kaufleute)	12·11	5·41	9*s.*
Joiners	8·58	3·55	8*s.* 5*d.*
Shoemakers and leather workers	5·69	2·2	7*s.* 5*d.*
Weavers	4·80	1·14	5*s.* 4*d.*
Tailors	3·88	1·48	8*s.*
Smiths and metal workers	3·47	1·88	10*s.* 9*d.*
Graphic trades and painters	2·00	·75	7*s.* 6*d.*
Potters	1·62	·45	5*s.* 8*d.*
Building mechanics	1·38	·45	7*s.*
German women	1·16	·22	8*s.* 7*d.*
Cigar and tobacco workers	1·10	·84	6*s.* 3*d.*
Miners	·60	·12	3*s.* 10*d.*
Sculptors	·46	·22	8*s.* 9*d.*
Confectioners	·32	·14	9*s.* 4*d.*
Ships' carpenters	·21	·05	5*s.* 1*d.*
Local Federation of Hamburg brewers	·17	·14	16*s.* 6*d.*
" " Reepschläger	·04	·065	3*s.* 3*d.*
" " Gilders	·01	·025	5*s.*
" " Waiters	·09	—	—
Total	111·89	945·47	—

YEARLY CONTRIBUTIONS IN 1904 PAYABLE TO CHRISTIAN UNIONS.[2]

—	Number of Unions in Federation	—	Number of Unions in Federation
18*s.* to 39*s.*	1	7*s.* 2*d.*	1
18*s.* 2*d.*	3	6*s.*	1
15*s.* 7*d.*	2	2*s.* 7*d.* to 5*s.* 2*d.*	6
7*s.* 9*d.* to 13*s.*	1	3*s.* 7*d.*	1
13*s.*	2	2*s.* 5*d.*	1
10*s.* 5*d.*	4	1*s.* 2*d.* to 2*s.* 5*d.*	1

[1] Unions federated, 21; number of branches, 2,172.

[2] The contributions are paid weekly or monthly in almost all cases.

CHRISTIAN UNIONS (MEMBERSHIP).

—	1903	1904
Members of the Federation.		
Total membership on April 1[1]	91,400	107,600
Women members	5,500	7,600
Unions in Federation	22	24
Branches	1,196	1,660
Total income	£33,900	£44,700
Funds in hand	£22,800	£34,500
Unions Independent of the Federation.		
Total membership[2]	101,200	99,900
Women	—	—
Number of Unions	9	9
„ Branches	936	940
Total income	£22,700	£22,600
Funds in hand	£14,500	£12,900

The total expenditure of both groups together was 46,900*l.* in 1903 and 54,700*l.* in 1904.

DETAILED FINANCIAL STATEMENT (IN THOUSAND £'s) AS REGARDS ALL CHRISTIAN UNIONS.[3]

—	1903		1904	
	Total	For Unions in Federation	Total	For Unions in Federation
Income.				
Entrance fees	1·0	·55	—	1·2
Contributions	4·6	26·4	—	40·0
Extra contributions	2·0	1·5	—	·8
Other income	2·7	2·2	—	2·6
Expenditure.				
Federal paper	9·6	4·7	—	5·6
Strikes and Gemässregelten-unterstützung	7·7	7·7	—	6·7
Death benefits	4·3	2·0	—	2·5
Other benefits	7·9	·4	—	1·4
Agitation and organisation	6·0	8·3	—	5·8
Library and other expenditure	·4	·3	—	·4
Total expenditure	47·0	27·6	54·7	35·6

[1] The membership reached 195,400 by April 1, 1905. The increase was attributable chiefly to the miners and, secondly, to the building operatives and metal workers.

[2] The membership had dropped to 80,000 by April 1, 1905.

[3] The figures for the Christian unions are given in the *Zentralblatt*

MEMBERSHIP OF CHRISTIAN TRADE UNIONS IN THE GERMAN EMPIRE, GROUPED BY TRADES, 1902–1904.[1]

Group of Trades	Mean Membership of Unions making Returns		
	1902	1903	1904
Building trades	3,912	6,176	13,976
Mining (including saltworks)	35,500	40,881	44,118
Metal trades	14,866	11,548	9,317
Textile trades	14,459	16,616	17,685
Clothing trades	2,005	2,268	3,174
Transport trades	73,400	76,652	83,504
Postal employees	8,300	9,847	10,282
Printing trades	—	—	350
Woodworking trades	3,850	4,466	6,086
Pottery trades	2,871	2,473	2,174
Food and tobacco trades	1,740	2,337	2,854
Street maintenance	910	900	—
Home workers (female)	1,877	1,906	2,580
Non-industrial occupations	1,800	2,351	—
Trades not specified	14,809	14,746	11,484
Total	179,799	192,617	207,484

In addition to the trade unions mentioned above, there are or were certain others in Germany whose membership amounted to about 10,000 in 1898.[2] Further there are the organised clerks and shop-assistants, who numbered about 35,000 at the end of the nineteenth century. We ought also to add that numerous other associations of workers exist in Germany, apart even from the Innungen, which are not strictly of a trade-union character.

der christlichen Gewerkschaften Deutschlands and quoted in the *Reichs-Arbeitblatt.*

[1] *Mittheilungen des Gesammtverbandes der christlichen Gewerkschaften Deutschlands* and *Zentralblatt der christlichen Gewerkschaften Deutschlands* are the organs of the General Federation of Christian trade unions in the German Empire.

[2] See article on 'Gewerkvereine' in Conrad and Lexis, *Handwörterbuch.*

France.

FRENCH TRADE UNIONS (SYNDICATS OUVRIERS).[1]

—	Number of Syndicats Ouvriers	Members in Thousands	Unions of Syndicats	Number of Unions Federated	Members of Unions of Syndicats
July 1, 1884 . .	68	—	10	—	—
„ 1885 . .	221	—	18	—	—
„ 1886 . .	280	—	18	—	—
„ 1887 . .	501	—	15	—	—
„ 1888 . .	780	—	15	—	—
„ 1889 . .	820	—	16	—	—
„ 1890 . .	1,010	140	24	—	—
„ 1891 . .	1,250	205	27	474	—
„ 1892 . .	1,590	289	47	688	—
„ 1893 . .	1,980	402	61	—	—
„ 1894 . .	2,180	408	72	896	188
„ 1895 . .	2,160	420	79	1,191	385
„ 1896 . .	2,240	423	86	1,248	386
Jan. 1, 1898 . .	2,320	488	94	1,302	328
„ 1899 . .	2,360	420	76	1,182	312
„ 1900 . .	2,690	492	73	1,199	433
„ 1901 . .	3,290	589	95	1,588	584
„ 1902 . .	3,680	614	120	2,010	672
„ 1903 . .	3,980	644	138	2,286	688
„ 1904 . .	4,280	716	156	2,519	590
„ 1905 . .	4,680	781	158	3,176	682

[1] This and the following tables are compiled from the *Annuaire des Syndicats Professionnels.*

These numbers are somewhat too high, as some 'Free Labour' Associations are registered under the Act of 1884. It is estimated that of the 836,000 members of workmen's syndicats in 1906 some 150,000 belonged to the 'Free Labour' group. On January 1, 1905, there were nearly 70,000 women altogether in the workmen's syndicats—that is, the female members constituted a little over one-twelfth of the membership.

Of the 836,000 members of trade unions in 1906 some 300,000 were united in the Confederation of Labour.

The percentages of the workpeople of different groups of trades enrolled in the workmen's syndicats are stated next, the numbers in the several groups being those returned at the last census.

Agriculture, forestry, fisheries, cattle breeding	1·8[1]
Mines	51·0
Quarrying	14·2
Food (manufacture and trade)	6·8
Chemicals	25·5
Paper, cardboard, and industries polygraphiques	19·8
Leather and skins	16·1
Textiles proper	12·5
Clothing goods, wearing apparel, and cleaning	4·9
Work in wood, furniture	10·9
Metal work	15·5
Earthen and stoneware, polishing	9·8
Building, construction (stone, wood, iron)	10·1
Transport and management, commerce	14·8
Service, personal and domestic	1·3
Professions (liberal, medicine, pharmacy, &c.)	8·1

At the beginning of 1905 of Bourses du Travail there were 114. The total establishment expenses borne by the municipalities amounted to 3,334,200

[1] Not counting members of agricultural associations.

francs, and the annual subventions were 254,000 francs from the municipalities, and 55,000 francs from the departments. The membership was 377,600.

MEMBERSHIP (IN THOUSANDS) AT THE BEGINNING OF THE YEAR OF TRADE UNIONS IN FRANCE, GROUPED BY TRADES, 1898–1905.

Compiled from 'Les Associations Professionnelles Ouvrières,' and the 'Annuaire des Syndicats Professionnels.'

Group of Trades	1898	1901	1902	1903	1905
Building trades	88	50	119	58	52
Mining and quarrying	41	94	88	78	87
Metal trades	88	94	75	87	90
Textile trades	85	54	57	59	79
Clothing and cleaning trades (excluding boot and shoe-making and glove making)	8	14	17	28	21
Transport, warehousing, &c.	160	152	106	176	221
Agriculture, forestry, fishing, and cattle breeding	8	15	15	15	45
Printing, paper, and allied trades	18	17	19	21	28
Woodworking and furnishing trades	18	18	20	19	24
Chemical trades	27	23	24	15	28
Glass, pottery, &c., trades and stone cutting and polishing	9	12	12	12	14
Food preparation trades	18	21	26	40	40
Skins and leather trades (including boot and shoe making and glove making)	20	19	21	22	27
Other trades	8	—	14	17	24
Total	487	588	614	648	781

England.

Registered Trade Unions in the United Kingdom.

Compiled from Returns supplied by the Trade Unions to the Labour Department and to the Chief Registrar of Friendly Societies, and given in the Annual Abstract of Labour Statistics.

Year	Number at End of Year	Total Membership at End of Year in Thousands
1892 . . .	1,188	1,509
1893 . . .	1,221	1,488
1894 . . .	1,259	1,447
1895 . . .	1,281	1,414
1896 . . .	1,294	1,502
1897 . . .	1,286	1,628
1898 . . .	1,256	1,660
1999 . . .	1,249	1,820
1900 . . .	1,233	1,927
1901 . . .	1,225	1,989
1902 . . .	1,190	1,924
1903 . . .	1,166	1,902

100 *Principal Trade Unions.*

Year	Membership at End of Year in Thousands	Income		Expenditure		Funds at End of Year	
		Amount in Thousands	Per Member	Amount in Thousands	Per Member	Amount in Thousands	Per Member
		£	s. d.	£	s. d.	£	s. d.
1892	902	1,462	32 4¾	1,433	31 9	1,578	34 10½
1893	909	1,613	35 6	1,835	40 4½	1,352	29 9
1894	924	1,617	35 0	1,423	30 9¾	1,546	33 5½
1895	910	1,540	33 10	1,375	30 2¾	1,710	37 7
1896	958	1,653	34 5¾	1,217	25 5	2,145	44 9¼
1897	1,058	1,972	37 8½	1,901	35 11	2,216	41 10½
1898	1,084	1,899	36 8¾	1,483	28 8¼	2,632	50 10¾
1899	1,111	1,826	32 10¼	1,253	22 6¾	3,204	57 8
1900	1,150	1,933	33 7¼	1,443	25 2	3,690	64 1½
1901	1,153	2,024	35 1	1,626	28 2½	4,067	70 10½
1902	1,148	2,067	36 0	1,783	31 0¾	4,372	76 1½
1903	1,133	2,073	36 7	1,895	33 5½	4,550	80 3½

A federation of trade unions was established in 1899. It now embraces 112 unions and 600,000 members, and possesses a reserve fund of 150,000*l.*

Contributions are on two scales. The higher are at present per member an entrance fee of 6*d.* and subscriptions of 1*s.* 4*d.* per annum, while the lower are just half as much. Corresponding dispute benefits are 5*s.* and 2*s.* 6*d.* per week.

MEMBERSHIP OF ENGLISH TRADE UNIONS GROUPED BY THE CHIEF TRADES.

Groups of Trades	Annual Average in Thousands (1899–1903)
Building trades:	
Labourers	85·1
Others	211·8
Mining and quarrying:	
Coal mining	490·1
Other mining	12·6
Quarrying	8·2
Metal, engineering and shipbuilding	337·9
Textile	220·4
Clothing:	
Boot and shoe	33·2
Tailoring	24·1
Other	7·8
Transport:	
Railway servants	78·5
Seamen	12·9
Other	74·8
Agricultural labourers and fishermen	4·2
Printing, paper, and allied trades	58·8
Woodworking and furnishing	40·5
Chemical, glass, pottery, &c.	18·6
Food and tobacco	18·4
Workers in fibre, cane, &c.	8·9
Leather	8·0
Enginemen	12·2
Miscellaneous trades	36·6
General labour	111·1
Employees of public authorities:	
Government employees	42·3
Employees of local authorities	6·4
Grand total	1,902·9

100 Principal Trade Unions—Expenditure on Chief Benefits, &c., 1892-1903.

Compiled from Returns supplied by the Trade Unions to the Labour Department and to the Chief Registrar of Friendly Societies, and given in the Annual Abstract of Labour Statistics.

Year	Unemployed, &c., Benefits [1]		Dispute Benefit [1]		Sick and Accident Benefits		Superannuation Benefit		Funeral Benefit		Other Benefits and Grants [2]		Working and Other Expenses		Total Expenditure in Thousands	Year
	Amount in Thousands	Per Cent.	Amount in Thousands	Per Cent.	Amount in Thousands	Per Cent.	Amount in Thousands	Per Cent.	Amount in Thousands	Per Cent.	Amount in Thousands	Per Cent.	Amount in Thousands	Per Cent.		
	Grand Total (100 Unions)															
	£		£		£		£		£		£		£		£	
1892	324	22·7	398	27·8	206	14·6	100	7·0	67	4·7	78	5·5	254	17·7	1,433	1892
1893	457	25·0	574	31·3	238	13·0	110	6·0	74	4·0	122	6·7	257	14·0	1,835	1893
1894	447	31·4	167	11·8	226	15·9	119	8·4	68	4·8	116	8·2	277	19·5	1,423	1894
1895	415	30·2	197	14·4	257	18·7	129	9·4	74	5·4	48	3·5	253	18·4	1,375	1895
1896	261	21·5	171	14·0	239	19·7	139	11·5	73	6·0	60	5·0	271	22·3	1,217	1896
1897	327	17·2	659	34·7	259	13·6	149	7·9	77	4·1	114	6·0	313	16·5	1,901	1897
1898	237	16·0	328	22·2	268	18·1	160	10·8	81	5·5	101	6·9	304	20·5	1,483	1898
1899	187	14·9	119	9·5	289	23·1	175	14·0	91	7·3	68	5·5	322	25·7	1,253	1899
1900	260	18·0	149	10·3	309	21·3	186	12·9	96	6·7	90	6·2	356	24·6	1,448	1900
1901	324	20·0	204	12·6	335	20·0	199	12·3	96	5·9	98	6·1	376	23·1	1,626	1901
1902	420	23·5	217	12·2	338	19·0	219	12·3	95	5·4	97	5·5	393	22·1	1,783	1902
1903	504	26·6	172	9·1	360	19·0	239	12·7	93	4·9	97	5·2	426	22·5	1,895	1903
	Average Amount per Member		Average Amount per Member		Average Amount per Member		Average Amount per Member		Average Amount per Member		Average Amount per Member		Average Amount per Member		Average Amount per Member	
	£ s. d.		£ s. d.		£ s. d.		£ s. d.		£ s. d.		£ s. d.		£ s. d.		£ s. d.	
1892	0 7 2½		0 8 9½		0 4 7½		0 2 2½		0 1 6		0 1 9		0 5 7½		1 11 9	1892
1893	0 10 1		0 12 7½		0 5 5		0 2 5½		0 1 7½		0 2 8½		0 5 8		2 0 4½	1893
1894	0 9 8½		0 3 7½		0 4 10½		0 2 7½		0 1 5½		0 2 6½		0 6 0		1 10 9½	1894
1895	0 9 1½		0 4 4		0 5 8		0 2 10		0 1 7½		0 1 0½		0 5 6½		1 10 2½	1895
1896	0 5 5½		0 3 6½		0 5 0		0 2 11		0 1 6½		0 1 2½		0 5 8		1 5 5	1896
1897	0 6 2½		0 12 5½		0 4 10½		0 2 9½		0 1 8½		0 2 1½		0 5 11½		1 15 11	1897
1898	0 4 7		0 6 4½		0 5 2½		0 3 1½		0 1 7		0 1 11½		0 5 10½		1 8 8½	1898
1899	0 3 4½		0 2 1½		0 5 2½		0 3 2		0 1 7½		0 1 2½		0 5 9½		1 2 6½	1899
1900	0 4 6½		0 2 7		0 5 4½		0 3 3		0 1 8		0 1 7		0 6 2½		1 5 2	1900
1901	0 5 7½		0 3 6½		0 5 7½		0 3 5½		0 1 8		0 1 8½		0 6 6½		1 8 2½	1901
1902	0 7 4		0 3 9½		0 5 10½		0 3 9½		0 1 8		0 1 8½		0 6 10½		1 11 0½	1902
1903	0 8 10½		0 3 0½		0 6 4½		0 4 2½		0 1 7½		0 1 8½		0 7 6½		1 13 5½	1903

[1] In the case of four Unions, the allowance paid, owing to trade disputes is partly included in their accounts under 'Unemployed Benefit.' As such Unemployed Benefit is really dispute pay it has been estimated and put under 'Dispute Benefit.'

[2] Including grants to members, grants from one Union to another, payments to Federations, Trades Councils, Congresses, &c.

APPENDIX II. TO CHAPTER II.

SOME LEADING CASES BEARING UPON THE CIVIL LIABILITIES OF TRADE UNIONS IN ENGLAND.

In discussions of the civil liabilities of trade unions for injuries inflicted upon others by acts in themselves legal, some reference is almost invariably made to the judgment of the House of Lords in the case of the Mogul Steamship Co. *v.* McGregor (1892, A.C. 25).[1] In this case the combination, which the plaintiffs claimed was conspiring to injure them, was a shipping ring, which had underbid the plaintiffs and caused them much loss. It was held 'that since the acts of the defendants were done with the lawful object of protecting and extending their trade and increasing their profits, and since they had not employed any unlawful means, the plaintiffs had no cause of action.'[2] The point that members

[1] See *e.g.* Report of the Royal Commission on Trade Disputes, memoranda on the point and Mr. Asquith's evidence.

[2] *Mogul S. S. Co.* v. *McGregor, Gow, and Co.*, 92, A.C. 25. The following is the head note to this case: 'Owners of ships, to secure a carrying trade exclusively for themselves and at profitable rates, formed an association and agreed that the number of ships to be sent by members of the association to the loading port, the division of cargoes and the freights to be demanded, should be subject to regulation and a rebate of 5 per cent. upon the freights should be allowed to all shippers who shipped only with members; and that agents of members should be prohibited on pain of dismissal from acting in the interest of competing shipowners; any member to be at liberty to withdraw on giving certain notices.

'The plaintiffs, who were shipowners excluded from the association, sent ships to the loading port to endeavour to obtain cargoes. The associated owners thereupon sent more ships to the port, underbid the plaintiffs, and reduced freights so low that the plaintiffs were obliged to carry at unremunerative rates. They also threatened to dismiss certain agents if they loaded the plaintiffs' ships, and circulated a notice that the rebate of 5 per cent. would not be allowed to any person who shipped cargoes on the plaintiffs' vessels. The plaintiffs having brought an action for damages against the associated owners, alleging a conspiracy to injure the plaintiffs. *Held*, . . . that since the acts of the defendants were done

of the shipping ring were to forbid their agents, upon pain of dismissal, to act for the plaintiffs, did not attract much notice at first, but it was dealt with in the judgments of Lord Watson and Lord Morris, both of whom held that the threatened dismissal of agents was legitimate, since they could not have acted in the best interests of both plaintiffs and defendants if employed by both. On the ground of these judgments alone, therefore, the legitimacy of a sympathetic strike or trade-union boycott of a non-union firm could not be inferred. And, apart from this point, the case in question is not very helpful, because (1) there is no certainty as to whether the pursuit of objects other than the increase of profits or wages may be taken to constitute under the existing law a *prima facie* justification of damage done to a third party, and (2) there is much vagueness as to what would be regarded as reasonable means—in the words of Fry, L.J., in the Mogul Steamship Co. *v.* McGregor &c., 'to draw a line between fair and unfair competition, between what is reasonable and unreasonable, passes the power of the courts.' As to (1) we may notice the pronouncement of Lord Brampton in Quinn *v.* Leathem.[1] 'The jury had to consider whether the interests and actions of the defendants went beyond the limits which would not be actionable, namely, securing or advancing their own interests or those of their trade by reasonable means, including lawful combination, or whether the acts were intended or calculated to injure the plaintiff in his trade, through a combination and with a common purpose to prevent the free action of his customers and servants in dealing with him, and with the effect of actually injuring him, as distinguished from acts legitimately done to secure or advance their own interests, that is,' the charge continued, 'acts done with the objects of increasing the profits or raising the wages of any combination of persons, such as the society to which the defendants belonged, by

with the lawful object of protecting and extending their trade and increasing their profits, and since they had not employed any unlawful means, the plaintiffs had no cause of action.'

[1] 1901, A.C. 520.

reasonable and legitimate means were perfectly lawful, and were not actionable so long as no wrongful act was maliciously, *i.e.* to say intentionally, done to injure a third party.' Under the legitimate pursuit of private interests acts done with the object of increasing profits or wages are alone mentioned, and nothing is said as to whether acts for the increase of unionism (with the ultimate object of raising wages) could be taken as a legitimate pursuit of private interests.

The leading cases in which trade unions were specifically dealt with afford equally uncertain guidance. Temperton *v.* Russell (1893, I., Q.B. 715) has been much quoted. Certain unions requested Temperton not to supply a firm of builders, whose men (members of the unions in question) were on strike, with material, and, on Temperton refusing to comply with the demand, the unions decided that none of their members should handle any material coming from Temperton. This general boycott of Temperton was held actionable, and damages were accorded him against those who had acted for the three trade unions concerned. But this case has since been weakened as a precedent by the House of Lords in Allen *v.* Flood, rejecting the principle followed in the judgment and laid down by Lord Esher in Bowen *v.* Hall. The principle was that a lawful act is made unlawful if it be done with malice. The present law upon this point may be taken as that pronounced by Mr. Justice Wright. 'On the ground of authority, as well as of principle, I think that the right conclusion is that malicious motive, as distinguished from the wilful violation of a known right, though it is sometimes material in aggravation of damages for infringement of a right, and sometimes, as in actions for defamation or malicious persecution, and probably in certain cases of nuisance, in some sense a necessary ingredient for a case of action, is not of itself, in conjunction with damage enough in general to constitute a cause of action where no legal right is infringed.'[1] But, though Temperton *v.* Russell is weakened as a precedent, it is of importance to note that Sir Frederick Pollock seems to take the view that the judg-

[1] Assinder, *Legal Position of Trade Unions*, p. 45.

ment would hold at English law apart from Lord Esher's ruling on malice, and that Lord Lindley in Quinn *v.* Leathem upheld the decision in Temperton *v.* Russell while dissenting from Lord Esher's dictum as to malice.

The case of Allen *v.* Flood (1898, A.C. 1) is of a different character. Allen, the district delegate of the boilermakers, informed an employer that the members of his union would cease work if the employer continued to engage two shipwrights, one of whom was Flood, upon certain ironwork. The employer, wishing to avoid trouble, dispensed with the services of the two men, who then brought an action for damages against the district delegate and the members of the executive committee of the Boilermakers' Trade Union. The House of Lords, by a small majority, reversing the decision of the Court of Appeal, held that there was no ground of action. But, according to Lord Lindley when giving judgment in Quinn *v.* Leathem, the finding for Allen turned on the perfect legality of his personal actions. Lord Lindley's words were as follows :—'In the opinion of the noble lords who formed the majority of the House, all that Allen did was to inform the employers of the plaintiffs that most of their workmen would leave them if they did not discharge the plaintiffs. There being no question of conspiracy, intimidation, coercion, or breach of contract for consideration by the House, the majority of the House held the action against Allen would not lie, that he had infringed no right of the plaintiffs, that he had done nothing which he had no legal right to do, that the fact that he had acted maliciously and with intent to injure the plaintiffs did not, without more, entitle the plaintiffs to maintain the action. To inform a person that others will annoy or injure him unless he acts in a particular way cannot of itself be actionable, whatever the motive or intention of the informant may have been.' Lord Halsbury appears from his words in Quinn *v.* Leathem to have taken the same view of the ruling in Allen *v.* Flood as Lord Lindley, and support is further lent to this interpretation by the argument of Lord Macnaghten in Allen *v.* Flood, to the effect

that the decision in that case could have no bearing on any case which involved the element of oppressive combination. It would seem, therefore, that Allen *v.* Flood throws no direct light on the question of what a *trade union* may and may not do, though it is of great importance in helping to define what an *individual* may or may not do. But the words of Lord Herschell, in pronouncing judgment in the case in question, prevent us from definitely asserting this. His words were:—'The object which the appellant and the ironworkers had in view was that they should be freed from the presence of men with whom they disliked working, or to prevent what they deemed an unfair interference with their rights. Whether we approve or disapprove of such attempted trade restrictions, it was entirely within the rights of the ironworkers to take any steps, not unlawful, to prevent any of the work which they regarded as legitimately theirs being entrusted to other hands. The Company had no ground for complaint if the men left, as they were by contract entitled to do, whether the men left of their own motion or followed the instruction of their union leaders.'

Quinn *v.* Leathem which was decided by the House of Lords in 1901 is now a famous case, but it is not likely to prove very enlightening, for, as it has been said, it bristles with illegalities.[1] The boycott of Leathem through Munce

[1] The chief points in *Quinn* v. *Leathem* were as follows:—Leathem, the plaintiff in the original action, was a flesher at Lisburn, in Ireland, and employed Dickie and other assistants who were non-unionists. The union tried to induce Leathem to employ only unionist workmen, and finally Leathem, to avoid trouble, offered to pay all the expenses in connection with the men's admission to the union. At a meeting of the union, however, at which Quinn, the treasurer, and other officials and members were present, the union refused to admit Leathem's workmen as members of the society, and decreed that they must walk the streets for twelve months. In order to force Leathem to cease employing non-union men, the union officials threatened to induce Munce, one of Leathem's best customers, to stop buying from him, and ultimately they carried their threat into execution, informing Munce that his men (unionists) would cease work as soon as meat arrived from Leathem. Munce, who had traded twenty years with Leathem, was thereupon induced

in this case has been compared with the threatened dismissal of agents in the Mogul case, but it must be remembered that in Quinn *v.* Leathem, apart from the question of the legality of the union's aim, when Leathem wished to have his men made unionists and offered to pay all the expenses in connection therewith, the union officials refused to admit them until 'they had walked the streets' for twelve months.

It might be hastily assumed that in Giblan *v.* The National Amalgamated Labourers' Union [1] we have a test case relating simply to refusal to work with non-union hands in the interests of unionism without aggravating circumstances, but this is not really so, since the object of the Labourers' Union was to punish Giblan for his treatment of the union (of which he was an ex-official), or force him to discharge his debt to it. Lord Justice Romer expressed the opinion that even had the acts of the union been the acts of one individual, they would have been actionable, and Lord Justice Stirling referring to the same acts said, 'I am far from

to cease dealing with him. Further, the officials of the society persuaded Dickie to break his contract with Leathem and to cease working for him. Further, black lists were issued by the society containing the names of tradesmen who dealt with the plaintiff, and in this manner one customer was induced not to deal with him. Leathem in consequence brought an action for damages against five defendants (including Quinn). When the case was first tried in Ireland, Leathem gained the day. The decision of the lower court was confirmed by the Irish Court of Appeal, Quinn only appealing, and finally by the House of Lords. Leathem got 250*l.* damages; 50*l.* of which was on account of a black list, and was obtained against three of the defendants, of whom Quinn was not one. It had been decided in *Trollope* v. *The Building Trades Federation* that the issue of a black list of non-union men and non-union firms was an actionable wrong.

[1] *Giblan* v. *The National Amalgamated Labourers' Union of Great Britain and Ireland* was decided by the Court of Appeal in 1908 in favour of Giblan. Giblan owed money to his union, and the union sued him and obtained an order for repayment by instalments. On Giblan, who left the union, failing to make these payments the union through their general secretary, Williams, secured by threat of a strike his dismissal from work, and continued by the same means to keep him out of employment. Giblan obtained damages against Williams in the original action, but the liability was shifted from Williams to his union by the Court of Appeal.

satisfied that they are not such as to be illegal even if done by a single individual.' [1]

The famous 'stop-day' case may be very soon dismissed.[2] The union decided upon adopting the expedient of the 'stop-day' to raise the price of coal and so wages, and with this end in view they persuaded the colliers to break their contracts. Damage was proved, the broken contracts were not denied, and the union had not merely advised the 'stop-day' but had ordered it and was prepared to enforce it. In these circumstances, though the contract broken was not one as between the union and the masters, the decision against the union is not likely to offend the lay mind as a perversion of the spirit of the law. The way of escape, if such be desired, is by making contracts in a form which renders 'stop-days' no infringement.

These, we believe, are the most important cases. There are other relevant judgments, but no confidence is generally felt in them, and it is believed that they might be reversed any day in the Court of Appeal or House of Lords.

[1] 1903, 2 K.B. 623.

[2] *Glamorganshire Coal Co. Ltd.* v. *The South Wales Miners' Federation*, 1903, 2 K.B. 545.

CHAPTER III

POLICIES OF TRADE UNIONS

TRADE-UNION policy could not be dealt with adequately in a single chapter: we only venture here to offer an analysis of some of the most salient of its present features.

It will be convenient to distinguish between (a) the policies of trade unions that have reference to making trade-union organisation more exhaustive, (b) those which are intended to help trade unions during disputes, and (c) those designed to improve directly the operatives' position or to retain for them the advantages already secured by combined action. Refusal to work with non-unionists is an example of the first class of policies; and, of course, the exhaustiveness of unionism is aimed at, not as an end in itself, but to strengthen the workman in his bargaining with the employer. The policy of the boycott is mainly directed to enforcing the men's terms during disputes; but it is also used to secure the displacement of non-union labour. Of the last class of policies are apprenticeship regulations and rules as to the proportion of labour to machinery. It is impossible to draw rigid lines of demarcation between these groups, but the provisional classification suggested helps materially to reduce the confusion of

trade-union activities to order. It would be as well to confine the term 'method' to the manner in which any policy is carried out: thus the strike, agitation for legislative action, violence and intimidation, are methods of enforcing the workman's will. His fundamental object is the improvement of his position; his policies are the rules by the observance of which it is to be brought about (in short, his strategy); his methods are the tactics by which the rules are enforced.

We shall notice first the attitude to non-unionists. Probably the most awkward problem in the whole field of trade-union activities is that of the attitude of organised labour to non-unionists. A number of distinct points require consideration. There is firstly the deliberate persecution of non-unionists by the refusal of unionists to work with them, or even to work in businesses which deal with shops in which non-unionists are engaged, in order to induce them to join the union. Whether it should be suffered by law is one question, and whether it is socially profitable or not is another. The trade-unionist's defence of this attitude to the non-unionist is that the workmen's bargaining power is weakened by absence of unanimity, and that the non-unionist enjoys most of the benefits secured at the risk and cost of the unionists alone. It is evident that employers will hold it impolitic to leave their non-unionist hands (whom they may regard, too, as the most loyal) in a worse position than unionists, and that they will therefore concede voluntarily to the former what they have been compelled after a conflict to grant to the latter. It seems to us that it is impossible to lay

down a general principle upon this matter. Compulsory unionism, or compulsory unionism in effect, would tend to the stereotyping of productive arrangements, but at the same time circumstances are imaginable in which a union could hardly be blamed for adopting drastic measures.

As to the law upon the point there seems no ground in England at the present time for restricting the liberties of unionists. Law should aim at leaving liberties untouched as far as possible and restraining only when real need arises. The legal anticipation of possible abuses is as a rule bad politics, because it may curtail harmless activities, excite gratuitously resentment and resistance, and perhaps create the very abuses which it is designed to check. Practically the situation is not so grave as it may be represented abstractly on paper. When it is important for unionists to coerce non-unionists, they are not strong enough to do so with impunity, that is, when the latter are so numerous as to menace the efficacy of unionism. The risk of ultimate loss being high, they will not venture upon coercion ordinarily except under pressing necessity. And, further, in the case supposed—the forces of unionism and non-unionism being pretty evenly balanced—the pursuit of an antagonistic (but legal) policy against non-unionists could not be regarded as persecution. When the unionists are strong enough to persecute, their strength makes them tolerant, the nón-unionist element is an insignificant danger, and the unionists will probably be acting in their highest interests by conciliating public opinion. Millerand, the French Socialist minister, indeed, believed in the suppression

of the strike against non-union labour, but probably what he primarily desired was the prohibition of the dismissal of operatives because they were trade unionists, and if he did not regard the former as logically following from the latter, at least he considered it a valuable *quid pro quo*, the concession of which would disarm opposition to his suggested protection of trade unionists against being victimised. Trade unionism is much weaker in France than in England or in the United States, and Millerand's proposed law would have strengthened French unionism.

In England to-day organised labour is certainly not affected prejudicially in any significant degree by the preferences of employers. If any protection is needed, it is rather the free choice of the employer and the liberty of 'free' labour that call for it. There cannot be two opinions as to whether a trade union is justified in striking against its members being victimised, and we should argue that a union could not be accused of unreasonableness if it tried to enforce the dismissal of men who had taken its members' places during a strike or lock-out. The strike against the employment of cheaper non-union labour raises a different issue that will be discussed later. We must repeat here that the question is thorny and involved. A strike under modern conditions is analogous to war in so far as it is an appeal to endurance, and it cannot be argued about as if it were perfect peace. One can imagine circumstances in which the refusal to work on certain terms would become a mere incident in frictionless competition, but these circumstances as yet exist only in

hypothesis. We move towards them if the settlement of wages be left fundamentally to the parties directly concerned, though, indeed, conciliation may be invoked without danger to assist it.

Troubles over the relations between union and non-union labour are probably more acute in the United States to-day than elsewhere. There are union shops, non-union shops, and 'open' shops, and around the latter a conflict of some magnitude is raging. Some of the most prominent trade-union leaders have declared against the open shop, while, on the other hand, employers, so far as they have given special attention to the principles involved, seem determined to maintain it. Both the National Association of Manufacturers, which has recently expressed openly its hostility to the trade unions, and the Citizens' Industrial Association, a more moderate body whose influence lies chiefly with employers in the West, have agreed not to surrender the right of employing non-unionist workmen as well as trade unionists. John Mitchell, a prominent trade union leader, in his work on 'Organised Labour,' lends qualified support to resistance to the open shop, and points out the dangers of the system from the point of view of unionism. In the open shop there is normally a tendency, he alleges, for non-unionists to take the place of unionists and for reductions in staff to be made from the unionists. Hence the efforts of the union to extend its organisation are counteracted. On the other hand, he recognises that the unwilling member of a trade union is a disruptive force, and admits that persuasion must be the chief agency for spreading union organisation. In the

United States it would seem that the hatred of non-unionists by ardent unionists is much more bitter than in England. Unionism, as a whole, is younger and weaker in the former country, and among its mixed population racial differences and jealousies exist of which some employers have availed themselves for breaking strikes. These racial differences explain also why professional strike-breaking is comparatively common in America. While it might prove on occasion difficult, or impossible, to induce an American-born citizen to take the 'job' of another American-born citizen, it is relatively easy to persuade a man of another nationality to do so. The American detestation of the 'scab' contains elements that are not discoverable, or at any rate evident, in the emotions which cause the molestation of 'blacklegs' in England.

Closely allied to the open resistance to non-unionist labour is the policy of the 'union label.' The felt-hatters of England have practised it for a number of years, but there is no sign of their example being at all widely imitated. In the United States, however, the state of affairs is far otherwise. 'The union label is the corner-stone of the trades-union movement,' says a writer in the *Boot and Shoe Workers' Journal*, while it is often admitted that 'the union label is organised labour's most powerful weapon.'[1] Its strength consists partly in enlisting the workman as a consumer in support of the claims of labour, and partly in rendering effective the sympathies of those who are not directly concerned in the labour move-

[1] Quoted from a paper read by Mr. C. J. Hamilton to Section F of the British Association in 1904.

ment. In America it originated among the cigar-makers in 1874, and was at first directed against the Chinese labour which poured into the Western States after the treaty with China in 1868 and until it was prohibited in 1882. The use of the label spread steadily among the cigar-makers. It was universalised among their unions in 1880, when 1,600,000 labels were issued—in 1900 the issue was more than 22,300,000. Other unions have imitated the cigar-makers; in 1885 the hatters followed suit, in 1891 the printers, and several cities have actually required the use of the label upon all public printing. At first the unions found that their labels were not guarded from counterfeits, but as the result of agitation legislatures have been induced to lend their support, and up to 1895, as many as twenty-four different States had passed protective laws, the constitutional character of which has been sustained in the Courts on several occasions.

It is by no means certain that the policy of the trade-union label has been profitable when success is compared with the efforts put forth. An investigation into the matter has been made recently by Mr. James E. Boyle, and printed in the American *Journal of Sociology* for September, 1903,[1] and from this investigation it would seem that most trade unionists disregard the labels and buy in the cheapest market. Further, the cost of preventing fraud and securing that the kind of label used shall not be affixed to goods other than those produced by trade-union labour appears to be considerable, on account

[1] Quoted from Mr. Hamilton's paper to the British Association in 1904.

both of the legal proceedings involved and of the amount of inspection necessitated. As the label is no indication of quality, or even of the goods being what they are represented to be, the community is afforded no guidance in making purchases; though it is declared that in some instances the labels are getting to be regarded by consumers, who may have no particular sympathies with trade unionism, as a guarantee that goods have been made under sanitary conditions, and therefore as assurances of their being free from any kind of infection, if not as proofs of good quality. But, on the whole, the common sense of the public—or its apathy at least equally, it is to be feared—has prevented it from throwing the whole weight of its influence on the side of trade unionists, irrespective of their attitude, by habitually demanding the labelled goods. It should be noted that under present conditions the label relates only to the finishing process. Labelled clothes may have been cut from fabrics manufactured by non-union labour, and these again may have been woven from yarns spun by non-unionists on machines built in non-union shops erected by non-union bricklayers and carpenters. The complete systematising of the policy is quite beyond the present powers of the trade unions, and it presupposes conditions that would prove most hampering to enterprise. In order to make the plan workable, undesirably simple and undiscriminating rules would have to be taken as guides for the vast scheme of boycotting that would be involved. The boycott is resorted to extensively in America in forms other than the trade-union label.

A trade union that has been unusually successful in raising the level of wages of its members soon discovers itself exposed to a multitude of influences by which its gains tend to be dissipated. These influences work through demand and supply, and it is recognised that they must be resisted, if at all, through the agency of demand and supply. We must add that trade unions try to work through demand and supply, not merely to prevent reactions upon successes won, but also to bring about indirectly a rise in wages. We have to notice, then, the manner in which organised labour attempts to mould demand and supply to suit its ends.

The immediate effect of a relative rise in the wages of labour of class x, if efficiency does not immediately react proportionally, would be to cause another class of labour to be substituted in some degree for x, generally speaking, or at any rate for some of class x to be dispensed with. Thus, if the productive group[1] were $100x+150y+30z+4w$, when x, y, z and w stand for the factors in production of all kinds, a rise in the relative cost of x would mean the economising of x in the productive group which would tend to take the form of, say, $90x+157y+32z+5w$, and the demand for x being thereby weakened, the relative wages of x would tend to subside. The trade unions are perfectly well aware of this tendency and many remedial measures have been tried by them. Firstly, general unions, federations of unions, and conferences have been designed with the object of promoting upward pressure from all wage-earning labour, and therefore of diminishing

[1] See Chapter I.

the incentive to substitute one kind of labour for another on changes in wages taking place. Against this policy no objections can be brought, unless it be that to some extent it is liable to cause a crystallisation of the ratios between certain incomes, and so to prevent particular wages from responding rapidly to changes in demand, and thus acting as magnets to attract labour into certain trades and repel it from others. Unions wisely directed should be alive to this defect and aim at minimising it. To hasten industrial reconstruction is for the ultimate benefit of the whole community.

Less unobjectionable is the plan of insisting upon a fixed ratio between the labour concerned and other labour or machinery. But as a temporary expedient it can hardly be made a serious ground of complaint by employers. That it should be incumbent upon a small union to fight the battles of the whole class of employees—the gains won by it for its members being rapidly divided up among the millions who had no share in securing the advantage won—is transparently unreasonable. A union might legitimately protest, as things are, against its members being displaced in some degree by cheaper labour just after a strike for a rise in wages had been settled in their favour. But the dangerous element in the policy is that fixed forms of production should be insisted upon generally, or that forms of production should be modifiable only after much artificial friction had been overcome. The extension of the policy means that the employers' function of arranging and rearranging factors in production is partially assumed by certain of the factors, so that the working

of substitution in the common interest is greatly impeded. Rules such as 'one man, one machine,' or 'one mechanic, two labourers,' are apt to become rigid requirements. And underhand resistance to machinery, which is also not uncommonly supported upon other grounds equally open to criticism, is apt to be encouraged.

Objection to machinery for economic reasons, and detestation of it for social reasons, are undoubtedly prevalent. With the latter we need not deal here specifically. Where machinery is used, conditions of life are as a rule obnoxious—large dreary towns and the pall of smoke which destroys vegetation and intercepts the sun's light. But these evils are removable. Machinery, it is said, destroys artistic feeling—its abuse, it may be replied, but not its proper use. Machinery degrades labour and narrows human life. To this the effective retort has been made that it takes over the heaviest work and tends to take over the most monotonous work, which, in that it means the repetition of some few simple movements, may be defined as that which is capable of being performed by a machine. On the whole, the development of mechanical aids entails a demand for the exercise of higher faculties by the operatives, though in transition stages the tasks of those who are linked, so to speak, to imperfect contrivances, may be insufferably dull. As to the alleged narrowing of life by economic specialism, some pertinent remarks have been made by the psychologist, Professor Münsterberg, in his work, *The Americans*. He writes:—

> One hears often from travellers in America that the country must be dwarfing to the intelligence of its workmen,

because it uses so much machinery that the individual workman comes to see only a small part of what is being done in the factory, and, so to say, works the same identical lever for life. He operates always a certain small part of some other part of the whole. Nothing could be less exact, and a person who comes to such a conclusion is not aware that even the smallest duties are extremely complex and that, therefore, specialisation does not at all introduce an undesirable uniformity in labour. It is specialisation, on the one hand, which guarantees the highest mastery and, on the other, lets the workman see even more the complexity of what is going on, and inspires him to get a full comprehension of the thing in hand, and perhaps to suggest a few improvements. Any man who is at all concerned with the entire field of operations, or who is moving constantly from one special process to another, can never come to that fully absorbed state of the attention which takes cognisance of the slightest detail. Only the man who has concentrated himself and specialised learns to note fine details; and it is only in this way that he becomes so much a master in his special department that anyone else who attempts to direct him succeeds merely in interfering and spoiling the output. In short, such a workman is face to face with intricate natural processes and is learning straight from nature. It is in the matter of industrial technique exactly as in science. A person not acquainted with science finds it endlessly monotonous, and cannot understand how a person should spend his whole life studying beetles or deciphering Assyrian inscriptions. But a man who knows the method of science realises that the narrower a field of study becomes, the more full of variety and unexpected beauties it is found to be. The triumphs of technical specialisation in America lie just in this. If a single man works at some special part of some special detail of an industrial process, he more and more comes to find in his narrower province an amazing intricacy which the casual observer looking on cannot even suspect; and only the man who sees this complexity is able to discover new processes and improvements on

the old. So it is that the specialised workman is he who constantly contributes to perfect technique, proposes modifications, and in general exercises all the intelligence he has, in order to bring himself on in his profession.[1]

We quote at length because of the comparative novelty and importance of this teaching.

The statement that there does not exist to-day any resistance to machinery for economic reasons would not be strictly veracious, but resistance is more completely veiled than formerly. In America apprehension as to the consequences of machinery has proved less impeding than in England, because, the mobility of the American workman being high, the increase of population rapid, and enterprise buoyant, displaced labour experiences less difficulty in finding other remunerative work. The American workman by his restlessness and love of change is rendered more capable of meeting change than the mass of the workpeople of Europe. Nevertheless, even in America, the dislike of new machinery is a serious obstruction to be reckoned with. This is fully admitted by Mr. John Graham Brooks in his *Social Unrest*, and the report of the Industrial Commission declared, perhaps with some exaggeration, that 'it is probably not far wrong to say that trade unionists universally regard the introduction of new machinery as a misfortune.' Trade-union leaders, both in England and America, are as a whole freer from erroneous views upon the effects of machinery than the body of operatives. The chances are that the trade-union secretary is better informed and more thoughtful than the ordinary

[1] *The Americans*, Münsterberg, pp. 243, 244.

man of the rank and file. He is probably above the average in talent to begin with, his education may have been above the average, and his life affords him unrivalled opportunities of learning about economic affairs. Trade-union leaders are, however, frequently driven against their better judgment into steps of which they disapprove by the prejudices of the masses. 'They are often helpless before the impulsive action of some local union.' It is claimed for them by Mr. J. G. Brooks that they educate their constituents gradually, and that protest from them naturally receives more consideration than protest from the masters. Were they to pursue a more independent line of action their influence might be undermined.

The volume on *Organised Labour*, by John Mitchell, is a work of considerable value presenting the point of view of an American trade-union leader. The author while recognising that resistance should not be offered to the introduction of machinery, enters a plea for great changes being rendered as gradual as possible. The aim, he contends, should be to make it easy for the workpeople to accommodate themselves to the new conditions. The operatives should receive some direct and immediate benefit of an appreciable amount from the use of the new machinery. The indirect benefits may perhaps be remote, and in any case they are not so clearly connected with the introduction of machinery, of which the operatives may have had unpleasant experiences, as to satisfy them that they gain adequately in the long run. Expressed otherwise, Mr. Mitchell's contention is that the temporary quasi-rents accruing from new machinery should

be shared by employers with the workpeople affected. A wage well above the norm would enable an enlightened union to ease the transition process to their displaced members. It is further to be noticed that if the displacements were great the quasi-rents to be shared would probably be great also. And there is no theoretical objection to a scheme by which a portion of the quasi-rents would be directly secured to those specialised workers who lost employment, if no serious check would thereby be imposed upon the application of mechanical ideas. The extra wage earned by the hands retained would also serve as a direct encouragement of the mechanical ingenuity of operatives, and the advantage of encouraging this is increasing in magnitude with the improvement and spread of education. One disadvantage associated with Mr. Mitchell's proposal is that the money wage would have to fall again when the machine reached the margin, as the economist would phrase it (that is, when it came into general use), and the value of the invention, except so far as it was secured by a patent, diffused itself throughout the community. When this happened (the advantage which seemed to be lost being spread throughout the community by means of a fall in the price of the product) the operatives in the industry in question might, and probably would, resist the reduction of money wages.

It is not denied that many operatives may lose their employment through the introduction of new machinery, but the amount of labour displacement thus occasioned is much less than is commonly supposed. New inventions are, as a rule, slowly adopted. At first, owing to imperfections, saving in labour is

not immediately effected to the full extent. And when a much lower cost of production is reached, an enlarged output, or the production of better qualities of work rendered possible by the invention, may prevent the reduction of hands on the scale which seemed inevitable. Further, if the industry expands, a new demand is created for additional labour in the subsidiary processes. And even though less labour were needed in the industry than heretofore, wages might be driven up by forces operating in the industry. A new machine may call for special skill or intelligence in the workers, and the higher the degree of skill the more liberal the rate of wages. The lessons of actual experience are yet to learn: no exhaustive review of the effects of mechanical improvements on wages immediately, and after a short time, has ever been made—an investigation of this kind would be of immense service. Many examples might however be given of the benefits which have accrued to the workers from the causes to which we have referred.

Our examination thus far has brought us only to the fringe of the problem. What is the effect on the demand for labour in the mass, and how is the field of labour as a whole affected? This is the central question. And first it may be pointed out that more labour might be required to make the machines, though this result is by no means certain. The development of machinery might be a simplification which would lessen the cost of machinery, and it should be observed that the additional labour needed for making machinery for the old output could not possibly offset the labour saved on that output by the new machines, since in that event, the quality of the output being

assumed constant, the improvement would have augmented instead of diminishing the cost of production. Implicit fallacies in discussions of this problem, of which samples might be cited, sometimes arise from the assumption that every advance in productive arrangements means in ultimate analysis a more roundabout process. Hasty generalisation might yield this result, for obviously making the first tools implies going to work more indirectly. It is a less direct way of harvesting a crop to make a sickle first and then use it than to pluck the ears by hand. But a generalisation true of the first stages of development may not be true of later stages. Machines or intermediary processes being in use, improvement is just as likely to take the form of their simplification as of their further complication. The improvement might mean the substitution of a chain of completely new processes for the old method, or it might mean the perfecting of the method in use. The first application of an original idea is invariably clumsy and unnecessarily cumbrous.

In approaching the question of the effect of machinery on the demand for labour, we begin by laying down as the fundamental premiss that the old product is attained with the expenditure of less effort. Hence the contention that the labour liberated becomes a reserve army, which (*a*) reduces the wages of the employed by competing for their places, and (*b*) causes more people to become unemployed. The latter effect is said to follow because the creation of a reserve army of labour devoid of purchasing power contracts public demand roughly in the ratio of the reserve army to the total population.

In response to this contention it is a commonplace to say that the demand for commodities of a given population cannot be regarded as a definite quantity of goods of which the limit has been reached, but it is important to point out further that even if demand could be so regarded, the argument would still be fallacious. Let us imagine that all were surfeited with their real incomes before the improvement in machinery. After the improvement the output would tend to be in excess of demand. The reactions upon this would be either shorter hours, or the dismissal of more operatives and shutting of factories. The ultimate outcome of the second course would be a position of equilibrium, in which a fraction of the population produced enough for their needs and to satisfy property owners and to keep the unemployed alive by charity. But as this happened the disengaged operatives, capital and enterprise, would be reorganised to provide what they wanted on a basis of shorter hours. If they would not, how did they ever come originally to be employed at all? It may be objected that all the employing capacity and capital is engaged for the operatives who were not dismissed. But employing capacity and capital are not fixed quantities, and the chances are that some of the old employing labour and capital would have been liberated also if some operatives were liberated.

Evidently, however, a direct reaction to shorter hours all round might be expected. If the operative tends to get his marginal worth,[1] as he must in a *régime* of competition, he will want to stop work when

[1] 'Marginal' is explained in a note on pp. 1-2, and the law of wages referred to in the text is dealt with in chap. i.

he has made enough to satisfy his needs instead of going on and producing more than is required. It must be remembered that, normally, demand and production are held in close union. Hence, even were the demand for commodities fixed, though both under-production and over-production would take place from time to time in consequence of imperfect anticipation and social friction, continuous over-production which rendered increasing numbers permanently unemployed would not be experienced.

Ultimately, under the impossible conditions supposed, all the old labour would be engaged at shorter hours, and perhaps with less machinery per unit of product. The hours being shorter, by shift arrangements machinery might possibly be economised. The capital charge would therefore be less, and this again would shorten hours somewhat on the supposition that the consumption of each class in society is to be taken as a fixed quantity.

It may be responded that the operatives are ready to continue working full time, but that they save their additional wages instead of spending them. This is the form of the theory put forward under the title of the 'fallacy of saving.' But if the savings are invested directly or indirectly they employ labour. If there is no demand for capital—an impossible state of affairs—then the savings take the form in ultimate analysis of stored imperishable valuables which must be produced (and therefore involve the employment of labour) to be saved. Besides savings which were stores would presumably be spent at some time, so that in the long run the normal spending of savings would tend to equal their normal accumulation.

Otherwise we must suppose society to collect power to obtain value meaninglessly like magpies.

Some who hold the doctrine of the *réserve armée* would object that saving and short time are both prevented by the competition of the out-of-works bringing down time-wages. This answer supposes that the effectiveness of the trade unions is insignificant, and conflicts with the known fact that real time-wages have risen. Moreover, it supposes that normally labour gets considerably less than its marginal worth in commodities. In such an event it would be to the interest of employers to engage more labour. Certainly if there were such a *réserve armée* which it was nobody's interest to employ, trade unions would find it exceedingly difficult to keep up wages.

It would be superfluous to argue in further detail on the assumption with which we started. We are not all as wealthy as we should wish to be. As soon as labour and capital can be obtained to make more commodities, more commodities will be made. The requisite employing capacity will not be lacking, for when fewer workmen are needed on the old product, less organising power will be needed also, and, as we have remarked, the quantity of organising power is not to be regarded as rigidly fixed. Some capital that would have been absorbed in turning out the old output per head will be unappropriated also, and the supply of capital is variable. To suppose that displaced labour will in the long run remain unemployed is to suppose that employment was originally brought about by a miracle.

It may, however, be objected that the new goods are wanted less intensely than the old goods, and

that, therefore, their manufacture will bring in lower wages. This objection confuses a comparison of two demands in the same period with that of demands in different periods. Although in any one period the marginal effective demand for labour to make the additional goods (which will almost certainly include more of each of the old classes of goods) must be less than that for labour to make the old lot, yet the marginal real demand for the labour to produce the additional goods in the later period will be higher than the marginal real demand for the old goods was in the earlier period.[1]

The experience of labour, in respect of wages and employment, in the transition period which witnesses the introduction of new machinery depends upon (*a*) the rate of the change, (*b*) the powers of enterprise and capital to respond to a new situation, and (*c*) the capacity of society to readjust the ratios of the population in different trades. As regards the condition marked (*c*) it must be remembered that a re-direction of the labour of the rising generation can rapidly bring about great changes, especially in a growing society. The rate of shrinkage of an unrecruited business (owing to deaths, superannuation and accidents) is an increasing rate, because the proportion of elderly people in the business is growing. And it must not be forgotten that many trades are closely analogous, so that the passage of labour between them does not mean much waste of specialism or any very serious task of reaccommodation.

[1] The marginal real demand is the demand in commodities of the person who made the lowest offer and effected a purchase. It is the marginal demand which settles price on the demand side.

Of tampering with the supply group of the determinants of wages there are many kinds. Restriction on the entries to a trade was generally insisted upon, and is still practised by many trade unions. It impedes the natural reaction of supplies of labour upon mutations of demand. It may benefit a trade, but only at a loss to the community as a whole greater than the gain to the trade. Universalised, it would prove ruinous. Mr. Sanger, in his investigation into 'the fair number of apprentices in a trade' found as follows[1]:—

Roughly speaking there exist about a hundred trade unions which have a more or less definite rule for the limitation of the number of apprentices. But the total number of men belonging to the unions, in all probability, does not exceed 200,000. I have considered the effect of each of the unions separately, and have come to the following conclusions:—

1. In the case of 21 trade unions whose total membership exceeds 26,500, the rule is such that, if carried out strictly, it would cause the number of journeymen in the trade to diminish.

2. In the case of 23 trade unions, whose total membership exceeds 35,500, the rule is such that, if carried out strictly, it would not cause any diminution in the number of journeymen in the trade, but, on the other hand, it would not permit the number of journeymen to increase as fast as the male population of England is increasing.

3. In the case of 43 trade unions, whose total membership exceeds 86,500, the rule is such as to permit the number of journeymen to increase at least as fast as the male population of England.

There are also 16 trade unions which have definite rules, but about which I am unable, for various reasons, to form an opinion.

[1] *Economic Journal*, December 1895.

Upon this Mr. and Mrs. Webb comment[1]:—

Our own enumeration, based not on what is said, but on what is actually done in the various trades, is as follows:—

1. Membership of trade unions actually enforcing apprenticeship regulations:—		
(*a*) Really restrictive of numbers .	15,000	
(*b*) Not really restrictive of numbers at all (patrimony restricts choice, but not numbers) .	25,000	
(*c*) Nominally restrictive, but allowing sufficient recruits to the trades.	50,000	
		90,000
2. Membership of trade unions nominally retaining apprenticeship regulations, but effectively open . . .		500,000
Membership of trade unions having no apprenticeship regulations:—		
(*a*) Transport workers and labourers	250,000	
(*b*) Textile, mining, and other occupations	650,000	
		900,000
		1,490,000

Frequently a trade union with strict apprenticeship regulations is practically open through certain avenues. Thus the compositors generally restrict the number of apprentices in the large shops most unreasonably, but do not impose any appreciable restraint in the smaller shops. They are compelled to admit to their union competent compositors who have picked up their knowledge at the private printing done in certain businesses for advertising purposes, or in villages, or under other conditions where trade-

[1] *Industrial Democracy*, ed. 1902, p. 474 n.

union rules could not be enforced.[1] In the article already referred to, Mr. Sanger put forward formulæ based on age distribution tables and life tables respectively, together with the age of leaving the trade, to show the ratio of apprentices to journeymen required (1) to keep the size of a trade in proportion to that of other trades, and (2) to keep a trade absolutely stationary, or to cause it to increase at some pre-determined rate. The analysis underlying these formulæ is useful in making clear and definite the relation between the ratio of entries to a trade and its rate of growth, and the tables calculated by Mr. Sanger are of service in providing criteria of the restrictiveness of any given regulations. But the formulæ are not intended to be used to settle the right number of apprentices for a trade. The right number depends upon the community's unknown needs in the future. The rate at which population is increasing will not assist us to a decision, nor will the agreement of experts, representative of employers and employed, as to the probable requirements of the several trades in the near future. In view of oscillations of demand, changing costs of production, and shifting lines of international specialism, it is not possible to lay down a rule governing future requirements. 'Reasonable' restriction of entries must therefore be so liberal that it can never really check the growth of an industry. The direction of the flow of the rising generation must be left wholly to the instincts of the community. Nor should apprenticeship usually be made the sole avenue to

[1] See Mr. and Mrs. Webb's *Industrial Democracy*, ed. 1902, p. 464 *et seq.*

an occupation. By such limitation the mobility of labour as between trade and trade is minimised, whereas it is desirable for all classes that it should be maximised. Apprenticeship as an engine for raising the ratio of wages to efficiency, or maintaining a high ratio, is fortunately dying out. 'Undemocratic in its scope, unscientific in its educational methods, and fundamentally unsound in its financial aspects, the apprenticeship system, in spite of all the practical arguments in its favour, is not likely to be deliberately revived by a modern democracy.'[1]

The educational aspects of apprenticeship raise totally distinct considerations. Schools of technology, technical institutes, and schools attached to works, are the new media for the imparting of instruction. It is through their development that the area of contact between education and industry should be extended, and it is through them alone that training can be perfected as scientific.

Closely related to apprenticeship is the limitation placed in certain industries on the employment of boy labour. All that has been said above applies to this case. In some occupations far more boys will be employed than in others, the boy's work in some trades being regarded as leading up to adult work in certain other trades. Only a boy can be a 'boy in buttons,' but it would be absurd to enforce the employment of a certain number of footmen for every boy in buttons. When particular abuses occur they must be dealt with on their merits in view of existing circumstances. Thus, by Lord James' award in the boot and shoe trade, the troubles complained of

[1] Mr. and Mrs. Webb's *Industrial Democracy*, ed. 1902, p. 481.

appear to have been met in a statesmanlike way. Lord James decided that it would be best for masters and men to agree upon a limitation of boy labour in many branches, and fixed upon a ratio (one boy to three journeymen) which was not likely to result in any curtailment of the industry's expansion.

The attitude of women's labour raises fresh issues which we cannot afford space to discuss adequately. In some instances there is no doubt that trade-union policy is unreasonably restrictive. When women are not actually excluded, the special difficulty lies in making allowance for the lower economic value of women at certain tasks. If the trade will split up naturally into a woman's sphere and a man's sphere, the difficulty is practically removed.

We must notice here the arrangement which Mr. and Mrs. Webb term 'progression within a trade.' 'There are some reasons for expecting this system of regulated progression to become more widely prevalent in British industry. It is specially characteristic of modern trades, and the modern form of business on a large scale. It is adapted to the typical modern device of splitting up a handicraft into a number of separate processes, each of which falls to the lot of a distinct grade of workmen. It is consistent with the decay of apprenticeship, and the 'picking up' of each process in turn by the sharp lad and ambitious young mechanic. It goes a long way to secure both the main objects of trade unionism, continuity of livelihood and the maintenance of the standard of life. It has no invidious exclusiveness or attempt at craft monopoly. It lends itself to a combination of all the different grades of

workmen in a single industry, whilst enabling each grade to preserve its own feeling of corporate interest. What is even more significant, the system secures to the manufacturing operative in large industries much the same sort of organisation as has spontaneously come into existence among the great army of railway workers, and in the Civil Service itself. In the graded service of the railway world, whilst there is no fixed rule on the subject, it is usual for the general manager and the directors to fill vacancies in the higher posts by selecting the most suitable candidates from the next lower grade. Newcomers enter, in the ordinary course, at the bottom of the ladder, and progress upwards as vacancies occur. In times of depression, when the staff remains stationary, or has to be reduced, the contraction operates mainly at the bottom. Recruiting for the lowest grade is practically suspended. Higher up vacancies may remain unfilled and promotion thus be checked, but actual dismissals for want of work are rare, and are only resorted to in cases of absolute necessity. This continuity of livelihood, which prevails largely in great banking corporations, and indeed in all extensive business undertakings, is still more characteristic of the British Civil Service.'[1] If a reduction of numbers is essential, it will take place as a rule at or near the bottom, where labour is likely to be most adaptable. And if times are very bad, labour can be shifted back in the hierarchy without great difficulty, since the post below has probably been filled by the man above, and the lower work will be known by him, and probably be analogous to the higher work,

[1] Mr. and Mrs. Webb's *Industrial Democracy*, ed. 1902, pp. 491–2.

the demand for which is temporarily contracted. The advantage of this arrangement is that the hands whom it is most difficult to find quickly are retained against trade recovering. Sometimes in the progression steps may be skipped, but in other cases a short time at least must be spent in each grade, according to trade-union rules. The employer or manager has free choice as to promotions. The trade union, however, when this plan is working, is not entirely without its anxieties. It has to watch lest the cheaper grades should encroach on the work of the higher grades, so that, in effect, men are promoted without their wages rising. Again, in certain states of the trade, a quick movement up may tend to take place at the expense of the elderly (but not old) men in the highest grade, who lose their work in consequence before they can be reasonably regarded as beyond work. In dealing with these cases a trade union is apt to trespass unduly on the employer's function of arranging his factors in production in the most economical fashion. Good feeling and a sense of fairness alone will bring about smooth working.

The 'patrimonial' system, though antiquated, has not yet disappeared in this, or any other leading industrial community. Leroy-Beaulieu is fearful of its gaining ground again in France, and instances several recent reactions. One was a dispute which occurred in 1894 between the *syndicat* of furriers and other workers in a certain town. The former refused to admit into their ranks any but the sons of furriers. There was no clause to this effect in their rules, because such a clause would not have

received official sanction, but it was an understanding among the furriers which they enforced by strikes when needful. Although the official world was stirred up, and in spite of a petition to the Senate, the furriers remained masters of the situation. Another case is that of the miners in the department of the Loire, who demanded that work in the mines should be reserved for existing miners, their children, sons-in-law, and nephews. But these cases, notwithstanding the 'throw back' that M. Leroy-Beaulieu fears, may not be occurring; it may be that attention has recently been directed sharply to some obsolete notions dying hard, which have received for the moment an accidental emphasis. There are survivals of 'patrimonialism' in England—indeed in some trades it is strong—and it 'constantly affects or nullifies, by its laxity, irregularity, and inequality, the deliberate regulation and systematic uniformity aimed at by the system of apprenticeship by legal indentures and its modern derivatives.'[1]

The attitude towards immigrants by the work-people of most countries is explained by the general belief that the smaller the supply of labour the higher is the wage. There is some ground for this belief, though not uncommonly we find it held in a form wherein it expresses the policy of restricting entries to a trade generalised into the lump of labour fallacy, which has in effect been exposed above.[2] It is true, no doubt, that if the supply of capital would not be affected, nor the supply of industrial administrators, nor enterprise, a check on the supply of opera-

[1] Mr. and Mrs. Webb's *Industrial Democracy*, ed. 1902, p. 456.
[2] See pp. 164–8.

tives should be accompanied by rising wages. But it must not be assumed that the quantity of the other factors in production would not be affected. As wages rose the remuneration of the other factors would fall, and capital at least being to a large extent international,[1] wages might only be kept up for a time at the expense of an ultimate subsidence below their old level. On the other hand, the beneficial action of any unusually high degree of vertical mobility of the population (that is, movement from economic grade to grade) upon wages might be counteracted by much immigration. The question cannot be settled in the abstract, but only by consideration of the relative magnitude of the immigration to be expected. The stimulating and educating influence of the imported population of a certain amount is a fact not to be ignored, and also that in a country whose population is not sufficient to carry out fully its schemes of wealth creation, much economic development will necessarily be of a makeshift character, and wastefulness and imperfect specialisation will be unavoidable.

American labour has pursued the policy of preserving within limits American work for Americans, and by exerting pressure on the Government it has secured some protection. The immigration of Chinese has been prohibited, 'although they are good workers,' and in M. Levasseur's view, a sacrifice of wealth has

[1] The capital which takes up the Government Stock of the leading Western countries barely recognises national boundaries. Evidently, therefore, if industrial interest rises in a country, that country's capital will flow out of the public funds into industry, and by the consequent rise in the yield of public funds foreign capital will be attracted to take its place. Industries also attract foreign capital directly, but in this case the friction which checks international movement is greater.

been entailed. But the case of the Chinese is exceptional and cannot be judged wholly from the wealth aspect. The American public dislikes the idea of many races gaining a footing in the United States, partly in consequence of racial instincts to preserve the type. Italians and Slavs are also barely tolerated. Labour that can be Americanised is regarded differently, but every person entering the United States must possess some small means, and recently the importation of labour under contract has been forbidden, in spite of the opposition of employers as a class.

Under the general heading of attempts to bridle the supply forces governing wages must be mentioned the restriction of output. So far as this is practised, it is partly occasioned by the 'lump of labour' fallacy, but it is partly the outcome also of a simple desire to raise the price of labour per unit of work done, so that a higher remuneration, in relation to the effort put forth, may be secured. Mr. John Mitchell thinks that the degree in which output is restricted by the trade unions has been grossly exaggerated, and points out that American employers have admitted that it exists to a less extent in the United States than in England. The American Bureau of Labour has recently undertaken an elaborate inquiry into the matter. Many expert investigators shared the work, and the various reports presented were arranged and edited by Professor J. R. Commons. The results, which reveal that thoroughness of research which we are learning to look for in the reports of the American Labour Department, were published in 1904 in a closely printed volume of 932 pages. The only

countries examined are the United States and the United Kingdom. On the grounds of the evidence adduced it would be correct to say in general terms that the tendency to check the expenditure of effort is stronger in the latter than in the former country.

As is shown in this report, the policy of stinting work may be carried into effect by various methods, and under the inspiration of different motives and ideas, all having the same practical outcome. The desire to spread work, or 'make it last,' in the seasonal trades, or to have work evenly distributed throughout a shop,[1] is not identical with the desire of operatives in other trades to prevent unemployment and cause wages to rise by curtailing supply. It is the latter which is most dangerous: by pursuing a policy of restriction, inelasticity of demand being assumed,[2] a group of workpeople might conceivably gain for a time, but the community as a whole would lose. Again, the suspicion is never wholly allayed among the operatives that economising labour means a stealthy attack on the wages of some class. They think that if any proportion of a group of workpeople is dispensed with, the competition of the 'out-of-works' will cause wages to fall. Further, it is a mistake to confound the attempt to raise wages by stinting the supply of labour with the determination not to sell more than a given quantity or quality of labour for a given price—not to give more than 'sixpennyworth of labour for sixpence,' as it is ex-

[1] *E.g.* the limitation of London compositors of the work one man may do.

[2] Demand is said to be inelastic when a given variation in price results in a variation in the quantity taken which is less than proportional.

pressed. It would appear from the report before us that the latter intention is more common than the former. There is, for instance, this secret rule of the moulders, which on its discovery was formally abolished, though it is alleged that the moulders continued to act upon it:—

'Should any member of these branches consider that any of their shopmates are doing work in less time than it has taken formerly to do, whether set work or day work, or, if piecework, doing for less money than the amount previously paid for the same work from the same pattern, it shall be the duty of each and every member in the shop to warn such members of the consequences attending the same, or be fined 2*s.* 6*d.*; and should the offenders after this notice still persist in the same course, it shall be the duty of the shop steward to acquaint the President of the same, &c.'[1]

It will be noticed that the design is a restraint of speeds above the normal, among workers receiving time-wages, and insistence upon normal piece-rates for those paid by the piece. While the intention of the rule is primarily to prevent the selling of more than sixpennyworth of work for sixpence, practically obstacles are placed in the way of differential rates. The result is that the efficiency of the best hands is apt to be scaled down to a level of mediocrity.

Though it must be conceded that there is an important distinction between aiming directly at a restriction of output, and incidentally causing a restriction of output by giving only as much work as

[1] *Economic Journal*, December 1905, p. 561, and *Times*, November 21, 1901.

the wage is held by the sellers to be worth, it is evident that the second policy may lead insidiously to the most undesirable consequences. It is dangerous to play at being inefficient because the play may become earnest: slow working creates slow workers. Payments should be made to vary with efficiency as closely as possible; distribution in detail reacting on production, and not production on distribution in the form of individual curtailment of output. The reason is both social and economic: economic because the opposite policy means the sacrifice of wealth in the future when the habit of 'slackness' has become second nature; and social because the best is only realised in humanity when the individual does his best. The strike is a safer policy than the stint of labour. We recognise, however, that the processes of distribution and production cannot be rigidly confined to one-sided reactions. Much of the influence of each on the other is insensible. We argue merely that the reaction of the labour output on the wages should not be deliberate. Wages are at once a prime incentive to effort and the source of physical and mental energy. Hence the direct linking of wages to output becomes a question of pressing importance. To this question we shall recur. It is contended that the differential wages implied by this connection would render the work of trade unions difficult. The common rule as to wages has been adopted in order to simplify the task of trade unions as well as to check output or prevent rushing. It is by no means evident, however, that in present circumstances the collective force of the operatives would be appreciably weakened if applied more discriminately, and

the diversifying of work is rendering more complex systems of payment increasingly desirable. Under existing conditions there is more chance of a non-unionist whose efficiency is beneath the average through age, illness, or physical defects, securing work than a trade unionist labouring under a similar disability. Whether trade-union regulations are keeping more of such persons from employment than they did some years ago, we are unable to say, but the defect still continues in trade-union management. The avoidance of 'rushing' and 'driving' is another aim sometimes confounded with the simple restriction of output. So far as the former is bad, it should be suppressed directly, and not indirectly by rules which inevitably scale down the average efficiency of the wage-earning classes. From the report before us we should judge that the amount of direct and indirect restriction of output is as yet far from being insignificant. Such as it is, it is due as much to working-class sentiments as to trade unions, and in some instances in which it is practised, trade-union leaders are opposed to it.[1]

There appears to be a general impression that a good deal of the direct and indirect stinting of work is closely connected with unsuitable methods of arranging weekly wages. Time-rates are retained where piece-rates could be applied, and the time-rates —for instance among English boot and shoe operatives—are checking the yield of machinery. Some-

[1] Upon the question of restriction of output, in addition to the report already cited, we may mention an article by Dr. Schomerus (who has been investigating the question in England) in the *Festgaben für Friedrich Julius Neumann*, 1906.

times when piece-rates have been adopted, weekly wages have risen to such an extent that the rates have had to be cut down. The natural result has been twofold: firstly, protests on the part of operatives, especially when piece-rates have led back to time-rates, with a higher standard output and less favourable earnings per unit of work done; and, secondly, restriction of work even when piece-rates are paid. The causes for such enormous advances in weekly wages as have occasionally followed the introduction of simple piece-rate systems may have been an unduly low level of speed previously, or slight improvements in processes. In some industries slight improvements which raise the product of labour are taking place almost continuously. In order to minimise the frequency with which scales must be revised, as well as to check in some degree the expansion of the output per head at the expense of its quality, various plans for limiting the increments added to wages by increments added to time-output have been tried. According to the simple piece-rate scale, labour cost remains constant; though the employer gains from greater speed, owing to the saving on capital per unit of produce, a greater return per unit of time being obtained from the same machinery and the same working space. The new plans provide for (*a*) a reduction of labour cost, and sometimes (*b*) for the time-wages paid to approximate, continuously or by steps, to a reasonable limit beyond which they cannot pass. If there is no arrangement of the second class the securing of some diminution of labour cost may not remove altogether the defects of the simple piece-rate. Large

reductions of the standard time for the task would mean large additions to weekly earnings, even if the workman received only a half or a quarter of the 'labour gain.'[1] This possibility is corrected if a limit is imposed upon the actual earnings, which by increased speeds is continuously approached but never reached. It would be useless to lay down a maximum wage without making it unattainable, because for outputs beyond the highest taken into account time-wages would then be paid. The diminution of additions to earnings with increased speeds ought, of course, to be generally continuous, and not too sudden. We see an excellent scientific example of this final correction of the piece-rate system in the scheme introduced by Mr. Rowan, of Glasgow, under which the additions to the standard time-wage rise in the same proportion as the time saved in relation to the standard time. Thus if the time on the job were halved, time-earnings would rise 50 per cent.; and if the time were reduced to zero the time-earnings would be doubled. Under a simple piece-rate system, time-earnings would be doubled in the former case, and increased to an infinite extent in the second case. Mr. Rowan's plan, it is obvious, is one only of many possible ways of providing for more or less continuous increases of time-earnings with greater speeds, which are less than those yielded by the simple piece-rate.[2]

[1] If w = earnings per hour when the work is done in standard time a, and the time taken is b, then by 'labour gain' per hour we mean $w\frac{a}{b} - w$.

[2] A full discussion of the points raised above will be found in an article by Mr. Schloss in the *Economic Journal* for December 1905. He expresses the various schemes by formulæ. Taking w as the old time-wage per hour (assumed as a basis for the calculation of piece-rates), e as

The advantage of all schemes of the Rowan type is, as we have observed, that an unsuitable basis for the piece-rate (due to an abnormally low or high time-output, when time-rates were paid, or to industrial changes), does not involve so serious an excess or deficiency in the wages earned as would a simple piece-rate system, and that, therefore, less frequent revisions of rates are called for. But schemes of the Rowan type have correlative defects, theoretical and practical. In adjusting wages as between the marginal man and the man of exceptional capacity, they award the latter too little. Even simple piece-rates give the latter less than the value of his unusual expertness, since the exceptionally efficient workman does not receive under them any of the capital cost that his high time-output saves. He is paid, not the full quasi-rent of his differential capacity, but only so much of it as may be reflected in saving on labour cost. Under the Rowan scheme he receives even less than this, and perhaps much less. It would seem, therefore, that the Rowan scheme is theoretically suitable only where the differences in output between individuals cannot be great, while the output of the

the time-wage per hour after piece-rates were introduced, a as the time allowed for a given piece of work (taken as the standard for the piece-rates), and b as the time actually occupied on the work after the piece-rates were adopted: then
under a simple system of piece-rates

$$e = w(1 + \frac{a-b}{b}):$$

but if the operative gets only $\frac{1}{n}$ of the 'labour gain,' then

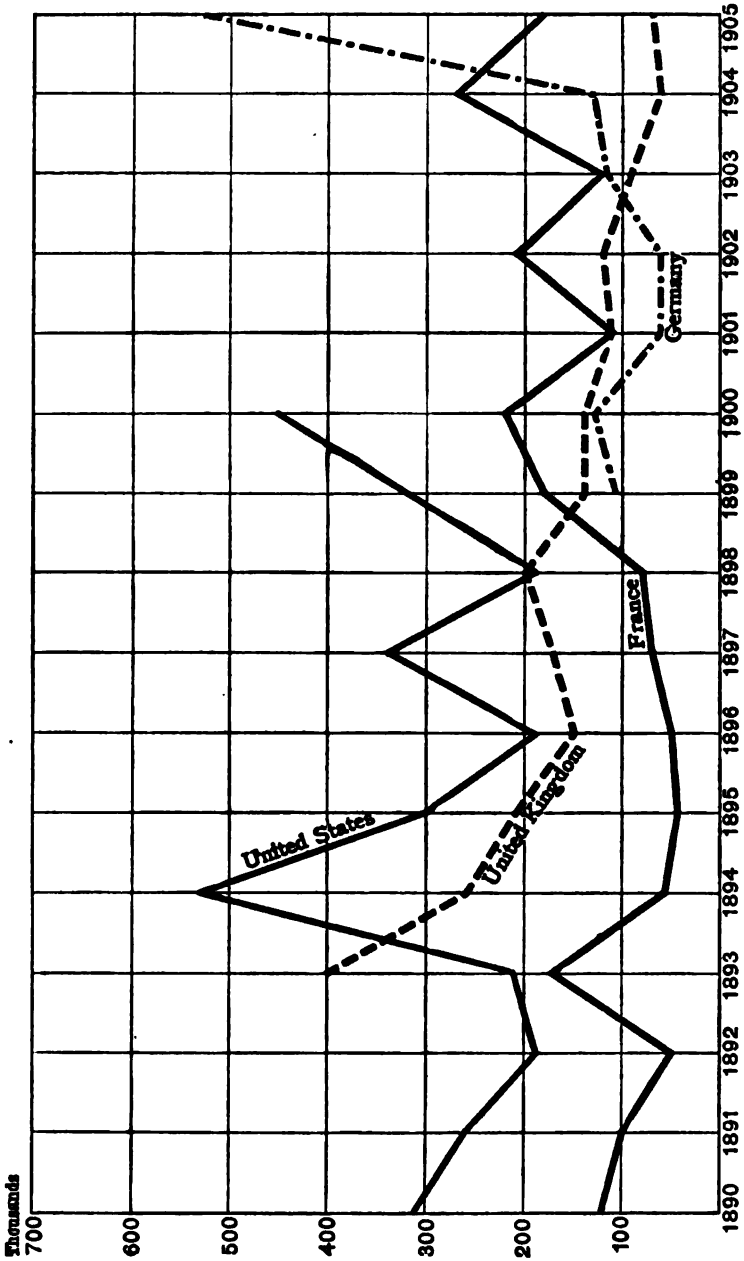
$$e = w\ (1 + \frac{a-b}{nb}).$$

Under Mr. Rowan's plan

$$e = w\ (1 + \frac{a-b}{a}).$$

total body of workers is highly elastic over a short period, and is immediately under the influence of the inducement of wages. Under the reverse conditions —that is, where differences between the outputs of individuals is the most striking feature—simple piece-rates are the best solution. There may be cases in which differential piece-rates may be preferable—the piece-wage rising as the time-output, but necessarily, as could be demonstrated, at a diminishing rate. In such cases the workman would receive, in addition to the marginal wage, no more and no less than the quasi-rent of his powers.

The practical imperfections of the Rowan scheme are said to be considerable, but these could only be gauged by detailed examination of the cases in which it had been applied. In the first place it is declared that the advantage of mistakes as to the basis leading to less inappropriate wages than they would under a simple piece-rate is actually counteracted by the fact that the limited importance of the correct basis causes diminished care to be exercised in its selection. It would seem to be a sufficient response that the remedy is in the hands of those who have experienced this disadvantage. Another practical defect alleged is that the inducements created by limited premiums are frequently insufficient. But the most serious complaint, perhaps, is that the system is too complicated. On the one hand it perplexes the operative both in its detailed working and as regards its *raison d'être*, and on the other hand it involves employers in a mass of book-keeping and calculations the cost of which seriously discounts any advantage gained. Certainly in those



NUMBER OF PEOPLE DIRECTLY AFFECTED BY STRIKES AND LOCK-OUTS.

industries in which the character of the work is constantly changing, so that the settlement of new piece-rates is a daily occurrence, the Rowan scheme would seem to be an unnecessary refinement.

Into questions of group rates we shall not enter here, except to remark that the system of apportioning tasks to group units has met with considerable success in many undertakings, and that two important conditions of its efficiency are that the groups should be limited in size, and that the members of each group should function as a whole, so to speak, and in contact with one another as far as possible.

The basis of the diagram facing this page, which shows the amount of striking measured in the numbers of workpeople directly affected, is explained on pages 189–91.

APPENDIX TO CHAPTER III.

STATISTICS OF STRIKES AND LOCK-OUTS.

Here we shall attempt to elicit such information as may be possible from statistics of strikes and lock-outs. Some account of the available material must first be offered. Figures for the United States up to 1900 are given in the 16th annual report of the Commissioner of Labour, and a communication received from the American Bureau of Labour informs us that no collection of material has been officially published since. A series of annual official reports on strikes in France began in 1890, and in 1900 summary tables relating to the period 1890–9 were compiled.

Figures for Germany have been published annually since 1899 in elaborate volumes. England has collected information since 1888, but that for the first four years is only roughly comparable with subsequent data. Up to 1893 lock-outs were distinguished from strikes, but the classification has been discontinued, probably on the ground of the difficulty of drawing satisfactorily a dividing line which marks a real divergence. America, Germany and France still retain the two classes of disputes, but we have not reproduced them in the tables that follow for the reason given above, and because somewhat different principles of division are no doubt employed.

It is not satisfactory to define 'strikes' and 'lock-outs' as industrial disputes involving cessation of work in which operatives in the former case and employers in the latter take the initiative, for, while there are instances of employers having no option but to lock-out to enforce their will, in the majority of cases it is in the power of the management to impose any new arrangements desired and cast upon the workmen the onus of causing a cessation of work if they object. All the figures tabulated below are exclusive of trivial disputes. 'Trivial disputes' have been defined in recent years in the United Kingdom as those involving less than ten employees or lasting less than one day except when the aggregate loss exceeded 100 working days. The figures given do not mean for all countries exactly the same, but the methods of collection are sufficiently alike for the tables to be approximately comparable.

NUMBER AND AVERAGE MAGNITUDE OF INDUSTRIAL DISPUTES.

Year	Strikes and Lock-outs				Approximate Numbers directly involved in each Dispute on an Average, in Hundreds			
	United States	France	United Kingdom	Germany	United States	France	United Kingdom	Germany
1881	477	—	—	—	2·1	—	—	—
1882	476	—	—	—	2·6	—	—	—
1883	506	—	—	—	2·9	—	—	—
1884	485	—	—	—	2·7	—	—	—
1885	695	—	—	—	2·3	—	—	—
1886	1,572	—	—	—	3·2	—	—	—
1887	1,503	—	—	—	2·2	—	—	—
1888	946	—	—	—	1·2	—	—	—
1889	1,111	—	—	—	2·0	—	—	—
1890	1,897	307	—	—	1·6	3·9	—	—
1891	1,786	264	—	—	1·4	4·4	—	—
1892	1,359	254	—	—	1·4	1·9	—	—
1893	1,375	634	615	—	1·5	2·7	—	—
1894	1,404	391	929	—	3·8	1·4	2·8	—
1895	1,255	406	745	—	2·3	1·1	2·7	—
1896	1,066	476	926	—	1·7	1·0	1·6	—
1897	1,110	356	864	—	3·1	1·9	2·0	—
1898	1,098	368	711	—	1·8	2·3	2·9	—
1899	1,838	744	719	1,311	1·8	2·5	2·0	0·8
1900	1,839	903	648	1,468	2·5	2·5	2·1	0·9
1901	—	523	642	1,091	—	2·2	1·7	0·6
1902	—	512	442	1,106	—	4·8	2·6	0·6
1903	—	571	387	1,444	—	2·3	2·4	0·8
1904	—	1,028	355	1,990	—	2·6	1·6	0·7
1905	—	335	358	2,657	—	2·1	1·9	2·0

The extent of industrial conflict may be taken as measured by the number of employees directly affected. This for the four countries is shown in the diagram on page 186. Absolute comparison between the curves is barely permissible, as different methods of collecting and arranging the facts have been applied, and some of the statistics are far from being exhaustive. If any rough comparison is attempted, it should be borne in mind that the industrial populations of the four countries are different, and that these are not proportional to actual populations. The

EMPLOYEES (IN THOUSANDS) THROWN OUT OF WORK BY INDUSTRIAL DISPUTES.

Year	UNITED STATES		FRANCE	UNITED KINGDOM		GERMANY	
	Directly	Directly and Indirectly	Directly	Directly	Directly and Indirectly	Directly	Directly and Indirectly
1881	102	130	—	—	—	—	—
1882	125	159	—	—	—	—	—
1883	148	170	—	—	—	—	—
1884	135	165	—	—	—	—	—
1885	164	258	—	—	—	—	—
1886	509	610	—	—	—	—	—
1887	381	439	—	—	—	—	—
1888	117	168	—	—	—	—	—
1889	216	260	—	—	—	—	—
1890	805	878	117	—	—	—	—
1891	259	381	109	—	—	—	—
1892	198	288	48	—	—	—	—
1893	208	288	170	400 [1]	634	—	—
1894	534	690	55	257	325	—	—
1895	299	407	46	207	268	—	—
1896	188	249	50	148	198	—	—
1897	340	416	69	167	230	—	—
1898	198	268	82	201	254	—	—
1899	328	432	177	188	180	105	116
1900	446	568	228	135	189	132	141
1901	—	—	111	111	180	61	68
1902	—	—	218	117	257	64	71
1903	—	—	124	94	117	121	136
1904	—	—	271	56	87	137	145
1905	—	—	178	68	94	527	548

latter were in 1903 in millions 80·4 for the United States, 58·6 for Germany, 39·1 for France, and 42·4 for the United Kingdom. Comparison between the tendencies of the curves should not be subject to a very high percentage of error (for probably no great changes in exhaustiveness of records have taken place in the last dozen years). Such a comparison seems to reveal two features. The one is the relative steadiness of the curve for England, and the other—

[1] Rough minimum estimate.

which is more striking—is the descending sweep of the curve for England and the ascent of the French curve. Some part of the explanation of the last fact may be the attainment of more complete enumeration in France, but it would seem from the sweep of the figures that there can hardly have been an actual decline in the numbers directly affected by disputes. The period of seven years only covered by German statistics is not sufficient to provide a basis for generalisation. A glance at the statistics of total employees affected will show that these move pretty closely as those of employees directly affected. If we turn to the number of strikes we shall observe the same steady decline in England, and rise in France and Germany. We must not leave the information already tabulated without drawing the reader's attention to the columns of approximate average numbers affected by each dispute. The most noticeable feature of the columns is the relatively insignificant size of the normal strike in Germany. We must not forget the prevalence of small scattered trades in Germany, but possibly some part of the explanation is the undeveloped state of trade unionism, which cannot to any large extent prevent industrial troubles from being gusty and local.

Next we have calculated approximate indices of the stress of disputes, but no tendencies reveal themselves. The only index which it is possible to derive from published French figures is the one given beneath, the defects of which are apparent. One of these might have been avoided in the construction of the index for England, namely, that arising from the divisor being the employees directly and indirectly

DURATION OF DISPUTES.

Year	Average Duration (in Days) of Strikes calculated from Establishments affected	Working Days Lost by all Employees thrown out of Work divided by Number of Employees directly thrown out of Work	
	United States	France	United Kingdom
1881	12·8	—	—
1882	21·9	—	—
1883	20·6	—	—
1884	30·5	—	—
1885	30·1	—	—
1886	23·4	—	—
1887	20·9	—	—
1888	20·3	—	—
1889	26·2	—	—
1890	24·2	11·5	—
1891	34·9	15·5	—
1892	23·4	19	—
1893	20·6	18·5	60[1]
1894	32·4	19	37
1895	20·5	14	27·5
1896	22·0	13	26
1897	27·4	11	62
1898	22·5	15	76·5
1899	15·2	20	18
1900	23·1	17	23·5
1901	—	17	37·5
1902	—	22	30
1903	—	20	25
1904	—	14·5	27
1905	—	15·5	36·5

affected by industrial disputes, while the dividend is the persons *directly* affected only; but in order to facilitate comparison we have made the index for England identical in character with the others. The differences between the two are most striking. From so many possible explanations it would be futile to make a selection, and it must be remembered that trivial disputes which would be excluded from English figures are reckoned in the French returns; but it

[1] Estimate.

may be suggested that when strikes are confined to vital points of difference, are only entered upon after grave deliberation, and mark consistent steps in a clearly conceived policy, each conflict is likely to last longer than it would otherwise.

The next table shows the percentages of success of employers and operatives respectively. The calculation is made for Germany on the basis of strikes as units, but for other countries on the basis of the numbers of workpeople affected. The proportion of disputes left indefinite, or with results unknown, is insignificant except between 1892 and 1898 in Germany; but even in these years it never reached seven per cent. for any year other than 1898, when the high figure of 24 per cent. was recorded. The table reveals no striking features of the character of which we can be certain. For France the number of compromises is unusually high, but 'compromise' is an indefinite phrase. If the compromise is very much in favour of one party it is practically a win, and in other countries it might be so recorded. As regards the United Kingdom, as any tendency for the successes of the employers to rise is accompanied by a fall in the number of compromises rather than of gains of the workpeople, we are not justified in inferring from it that victory has been inclining more to the employers; and even if we were, the circumstance might be attributable not to a relative weakening of trade unions, but to an advance in the compass and amount of their demands. The figures, however, seem to warrant the conclusion that the workpeople succeed more frequently in the United Kingdom than in France.

RESULTS OF INDUSTRIAL DISPUTES.

Year	United States			France			United Kingdom			Germany		
	Percentage of Employees thrown out of Employment by Strikes results of which were—			Percentage of Workpeople who took part in Trade Disputes results of which were—			Percentage of Workpeople who took part in Trade Disputes results of which were—			Percentage of Disputes results of which were—		
	In favour of Workpeople	In favour of Employers	Compromised	In favour of Workpeople	In favour of Employers	Compromised	In favour of Workpeople	In favour of Employers	Compromised	In favour of Workpeople	In favour of Employers	Compromised
1881 . .	43	44	13	—	—	—	—	—	—	—	—	—
1882 . .	30	66	4	—	—	—	—	—	—	—	—	—
1883 . .	37	52	11	—	—	—	—	—	—	—	—	—
1884 . .	36	61	3	—	—	—	—	—	—	—	—	—
1885 . .	48	43	9	—	—	—	—	—	—	—	—	—
1886 . .	38	47	15	—	—	—	—	—	—	—	—	—
1887 . .	34	59	7	—	—	—	—	—	—	—	—	—
1888 . .	28	65	7	—	—	—	—	—	—	—	—	—
1889 . .	29	46	25	—	—	—	30	13	57	—	—	—
1890 . .	45	41	14	—	—	—	53	25	22	—	—	—
1891 . .	27	65	8	—	—	—	25	35	40	—	—	—
1892 . .	30	62	8	—	—	—	20	30	50	33	44	20
1893 . .	28	60	16	21	52	27	63	12	25	44	31	22
1894 . .	18	61	21	24	31	45	23	42	35	28	39	28
1895 . .	40	49	11	19	36	45	25	28	47	42	36	15
1896 . .	41	44	15	23	43	34	43	28	29	48	22	25
1897 . .	39	24	37	29	29	42	24	40	36	47	27	25
1898 . .	44	47	9	13	47	40	23	60	17	42	17	17
1899 . .	54	31	15	12	18	70	26	43	31	26	41	33
1900 . .	29	32	39	11	26	63	30	24	46	19	45	36
1901 . .	—	—	—	8	52	40	28	35	37	19	54	27
1902 . .	—	—	—	11	13	76	31	31	38	21	57	22
1903 . .	—	—	—	11	17	72	31	50	19	22	46	32
1904 . .	—	—	—	20	18	62	27	43	30	25	39	36
1905 . .	—	—	—	13	17	70	25	34	40	21	37	42
Average for twelve years, 1894–1905	—	—	—	15	29	55	28	38	34	30	38	28
Average for eight years, 1898–1900	36	43	20	19	35	46	32	35	33	37	32	25

The strikes ordered by labour organisations are not separated except in the information provided by the American Labour Department. The control

of trade unions over strikes in the United States would seem to have increased, and also, relatively, the proportion of successes among strikes ordered by labour organisations. On an average over the period 1881–1900 complete successes were to complete failures in the case of strikes directed by trade unions as 3 to 2, whereas, in the case of strikes not so ordered, they were the exact opposite—that is, as 2 to 3.

RESULTS OF STRIKES ORDERED BY LABOUR ORGANISATIONS IN THE UNITED STATES.

Year	Percentage of Total Strikes ordered by Labour Organisations	Strikes ordered by Labour Organisations			Strikes not ordered by Labour Organisations		
		Percentage of Establishments in which Strikes			Percentage of Establishments in which Strikes		
		Succeeded	Succeeded Partly	Failed	Succeeded	Succeeded Partly	Failed
1881 .	47	66	6·5	28	48	8·7	43
1882 .	48	56	9·5	34	45	3·8	51
1883 .	57	65	18	17	26	4·1	70
1884 .	54	56	3·3	41	31	6·9	62
1885 .	56	64	10	26	26	7·1	67
1886 .	53	33	20	46	42	7·4	51
1887 .	66	48	7·2	44	27	7·2	66
1888 .	68	56	5	39	25	8 9	66
1889 .	67	46	21	33	50	9·3	41
1890 .	71	54	10	36	40	8·5	52
1891 .	75	38	8·1	53	37	11·7	52
1892 .	71	39	8·8	52	39	8·2	53
1893 .	69	54	11	35	28	6·2	65
1894 .	63	37	14	49	44	12	44
1895 .	54	59	10	31	27	9·2	64
1896 .	65	62	6·5	31	30	16	54
1897 .	55	60	30	11	31	13	57
1898 .	60	70	6·2	24	34	7·6	58
1899 .	62	76	14	9·5	37	15	49
1900 .	65	48	22	30	30	7	63
Average for period 1881–1900	**61**	**54**	**12**	**34**	**35**	**9**	**56**

The classification of strikes by duration is not attempted by the American Labour Department, and the United Kingdom did not publish figures so arranged until 1906. France has furnished them for many years, and Germany since 1899. We have grouped the French returns below in two tables and placed next to them the German figures and the English for the one year 1905, the periods of duration for the latter being made to correspond as closely as possible with those used in France.

Contrast between France and Germany on the one hand, and the United Kingdom on the other, is hardly permissible until for the latter an average can be prepared; but attention may be drawn nevertheless to a very significant present difference. Examination side by side of the columns of strikes and workpeople affected in France makes it plain that a very large number of small strikes break out and last only a few days. In Germany there are many short strikes, but their size would seem to be nearer the normal for the country. In the United Kingdom the proportion of short strikes is less, and there is no evidence as yet to suggest that short strikes are usually small. The reader must be reminded again that more very small disputes are admitted into the French and German figures than into the English. Employers in France and Germany score more triumphs relatively after disputes have endured for a moderately lengthy period than when they came rapidly to settlement. In the former case, naturally, compromise is on the whole more common.

STRIKES IN FRANCE BY DURATION (INCLUDING THOSE OF LESS THAN ONE DAY), 1890-1900.

Days of Duration	Percentage of Total Strikes	Percentage of Strikes which		Percentage of Total Strikers	Percentage of Strikers in Strikes which	
		Succeeded	Failed		Succeeded	Failed
7 or under .	68	27·7	42·4	37	30·6	30·4
8–15 . .	19	20·3	42·8	24	10·3	35·7
16–30 . .	9	14·9	42·8	17	7·1	41·3
31–100 . .	8	14·4	47·5	20	2·1	41·6
101 or over .	1	5·4	60	2	11·1	50·0
Not reported .	—	11·5	50	—	5·0	50·0
Total .	100	—	—	100	—	—
Continued for Period 1901-1905.						
7 or under .	62	31	38	29	33	25
8–15 . .	16	16	35	12	11	30
16–30 . .	11	16	34	17	17	24
31–100 . .	10	11	40	27	3	21
101 or over .	1	3	50	15 [1]	·15 [1]	3·3 [1]
Total .	100	—	—	100	—	—

STRIKES IN GERMANY BY DURATION FOR THE PERIOD 1899-1904.

Days of Duration	Percentage of Total Strikes	Percentage of Strikes which		Percentage of Total Strikers
		Succeeded	Failed	
Less than 1 day .	9	27	15	3·5
1–5 days . .	39	30	27	34
6–10 „ . .	14	22	36	10
11–20 „ . .	13	21	42	13
21–30 „ . .	7	16	43	9
31–50 „ . .	8	10	37	12
51–100 „ . .	7	6	36	13
101 „ and over .	3	4	40	5·5
Total . . .	100	—	—	100

[1] Very exceptional events occurred in 1902.

STRIKES IN THE UNITED KINGDOM BY DURATION IN 1905.

Weeks of Duration	Percentage of Disputes	Percentage Number of Workpeople affected directly and indirectly
Under 1 week	35	40
1 week and under 2 weeks . .	17	14
2 weeks „ „ 4 „ . .	18	9
4 „ „ „ 15 „ . .	25	22
15 „ „ over	10	15
Total	100	100

Considering the next group of tables we notice that the percentage of large strikes is much greater in the United Kingdom than in France or Germany. Successes and failures, according to the magnitude of strikes measured in workpeople involved, are recorded for both Germany and France, but not for England. They show, as we should expect, that in the larger strikes compromise plays a leading part. Also it would seem that the workpeople are relatively less successful in the small strikes. France alone gives the days of duration of strikes of different magnitudes, and the figures prove that a rapid settlement is commonest in the smaller strikes, which again is to be expected, since it is probable that fewer relatively have arisen out of essential points of difference.

SUMMARY OF STRIKES IN FRANCE AND DAYS OF DURATION BY NUMBERS OF STRIKERS INVOLVED, 1890–1900.

Strikers involved	Percentage of Total Strikes	Percentage of Strikes which		Percentage of Strikes of Days of Duration					—
		Succeeded	Failed	7 or under	8 to 15	16 to 30	31 to 100	101 or over	
25 or under .	27	20·7	61·0	70	16	8	5·6	·4	100
26–50 . .	21	25·5	44·2	68	17	6·4	7·4	1·2	100
51–100 . .	18	26·8	35·3	64	19	9·2	6·8	1·0	100
101–200 .	15	22·8	34·6	56·4	22·6	10·1	10·1	·8	100
201–500 .	12	26·5	25·8	57	20	11	10	2	100
501–1,000 .	3·8	21·3	32·9	48	16·8	16·2	15	4·5	100
1,001 or over.	3·8	17·3	34·7	29·6	25	17·5	25·4	2·5	100
Not reported.	·4	26·3	26·3	—	—	—	—	—	—
Total . .	100	—	—	—	—	—	—	—	—
Percentages	—	23·7	43·1	—	—	—	—	—	—
Continued for Period 1901–1905.									
25 or under .	26	22	51	68	15·5	9	7	·5	100
26–50 . .	23	24	39	66	17	8	8	1	100
51–100 . .	20	28	31	67	15·2	9·1	8·1	·6	100
101–200 .	14	24	38	58	17	18	11	1	100
201–500 .	12	26	24	51	19	15	8	2	100
501–1,000 .	2	30	24	39	19	19	19·5	3·5	100
1,001 or over.	3	10	23	24	19	27	30	—	—
Total . .	100	—	—	—	—	—	—	—	—
Percentages	—	27	37	—	—	—	—	—	—

STRIKES IN GERMANY BY WORKPEOPLE INVOLVED IN 1899–1904.

Workpeople	Percentage of Total Strikes	Percentage of Strikes which		Percentage of Total Strikers
		Succeeded	Failed	
2–20 . .	46	24	57	8
21–50 . .	27	28	40	13
51–100 . .	13·5	20	35	14
101–200 . .	7·5	16	36	16
201–500 . .	4·5	13	34	19
Over 500 . .	1·5	7·5	33	30
Total . .	100·0	—	—	100

STRIKES IN THE UNITED KINGDOM BY WORKPEOPLE INVOLVED, 1903–5.

Workpeople	Percentage of Total Disputes	Percentage of Total Workpeople affected	Percentage of Aggregate Working Days Lost
Under 25 . . .	20	1·2	1·4
25–50 . . .	17	2·8	3·2
50–100 . . .	16	4·1	5·0
100–250 . . .	21	12·6	16·0
250–500 . . .	12	14·1	15·0
500–1,000 . . .	9	23·2	26·2
Over 1,000 . .	5	42·5	33·2
Total . . .	100	100·0	100·0

The causes of disputes and the percentage of successes to failures in the disputes undertaken for different reasons are tabulated below, with classification of causes for the different countries as approximately similar as it is possible to make them. One striking feature is the enormous proportion of disputes in all countries which relate to wages—in every case more than half. Connected with the hours of labour, the proportion of strikes is significantly less in the United Kingdom than elsewhere. The different periods covered by the several tables must no doubt give us pause in pressing the inferences arising out of their comparison, but *a priori* we should have expected less dissatisfaction in the matter of the time of labour here than elsewhere, since normally the English working-day is less than the continental one, and rushing work through in a limited time is practised less in the United Kingdom than in the United States.

As regards the relative advantages gained in each class of dispute, we observe first the unusually high proportion of complete successes, and low per-

centage of complete failures in English disputes relating to trade unionism. We may also specially note that in Germany at present any interference with employers' management of their works, choice of hands, and methods of discipline and paying wages, would seem to be disastrous. Trade unionism is most successful there with regard to elementary demands in the matter of weekly wages, hours of labour, treatment and general conditions of comfort and health. The inference from the French figures would seem to be on the whole similar. The reader will observe that inasmuch as the basis of calculations relating to percentages of success is not the same in all cases, our conclusions are weakened. For the United States, establishments affected is the only unit obtainable. In German returns the only unit applied when causes of strikes are particularised is the strike. France uses all three units—that is, strikes, strikers, and establishments affected, and England depends upon the first and second.

CAUSES OF STRIKES IN THE UNITED STATES, 1881–1900.

—	Percentage of Establishments affected	Percentage of Establishments in which Strikes	
		Succeeded	Failed
Wages :—			
For increase of wages	28·7	58	30
For increase of wages and reduction of hours	11·23	62	16
For increase of wages and recognition of union	·95	18	69
For increase of wages and Saturday half-holiday	·62	78	7·8
For increase of wages, Saturday half-holiday, and privilege of working for employers not members of employers' associations	·68	100	—
For increase of wages and against use of material from non-union establishments	·64	—	100
Solely or partly for increase of wages	42·82	—	—

CAUSES OF STRIKES IN THE UNITED STATES, 1881–1900.—*cont.*

—	Percentage of Establishments affected	Percentage of Establishments in which Strikes	
		Succeeded	Failed
Against reduction of wages	7·17	88	54
Against reduction of wages and working overtime	·64	100	—
Solely or partly against reduction of wages	7·81	—	—
For adoption of new scale	2·88	85	85
For adoption of union scale	·79	46	58
Against task system	·78	51	49
Other causes affecting wages	3·90	—	—
Solely or partly with reference to wages	54·58	—	—
Hours :—			
For reduction of hours	11·16	49	42
For reduction of hours and against being compelled to board with employer	·79	32	68
For reduction of hours and against task system	·77	100	—
Solely or partly to reduce hours of labour	12·72	—	—
In sympathy with strike elsewhere	8·47	25	78
Against employment of non-union men	2·84	67	81
For recognition of union	1·40	12	88
Solely or partly to support unionism	7·21	—	—
For enforcement of union rules	·91	90	10
For enforcement of union rules and union scale	·75	64	31
For reinstatement of discharged employees	·74	41	57
Total of twenty leading causes	76·86	—	—
All other causes	23·14	—	—
Total	100	—	—

Causes of Strikes in France, 1890–1900.

—	Percentage of Strikes	Percentage of Strikes which		Percentage of Strikers	Percentage of Strikers in Strikes which		Percentage of Establishments affected	Percentage of Establishments in which Strikes	
		Succeeded	Failed		Succeeded	Failed		Succeeded	Failed
Wages:—									
1. For increase of wages	43	24	24	34	22	39	48	16	22
2. Against reduction of wages	2·5	30	42	4	31	33	2·3	38	32
3. Other causes relating to wages and methods of paying wages	6·2	46	36	11·7	28	34	5·9	28	22
Total relating to wages	58·7	—	—	49·7	—	—	56·2	—	—
4. For abolition or reduction of fines	2·6	30	49	4	13	80	·4	24	60
5. For reduction of hours with present or increased wages	8·7	43	36	12·2	30	39	22	33	24
6. Against discharge of workmen, foremen, &c.	6·3	20	68	5	21	54	1·8	51	42
7. For discharge of workmen, foremen, &c.	8·7	33	63	5·5	30	55	1·8	27	63
8. Against shop rules or alteration of same	3	34	44	1·6	36	37	·9	33	51
9. Other causes	14	35	47	22	18	43	17·4	27	43
Total	100	—	—	100	—	—	100	—	—

Continued for Period 1901–1905.

Wages:—									
For increase of wages	36	25	33	30	10	15	38	22	24
Against reduction of wages	6	28	30	2·3	35	27	·8	50	15
Other causes relating to wages and methods of paying wages	12	36	39	13	23	61	6·4	51	39
Total relating to wages	54	—	—	—	—	—	—	—	—
Abolition or reduction of fines	2·1	27	45	2·3	43	36	·6	63	15
For reduction of hours with present or increased wages	10	42	37	16·5	15	60	26	28	30
Against discharge of workmen, foremen, &c.	9	26	58	6·7	15	50	·6	24	11
For discharge of workmen, foremen, &c.	8	25	62	8·4	20	61	11	40	60
Against shop rules or alteration of same	4·4	40	50	5	30	39	8	17	65
Other causes	12·5	30	43	15·8	21	63	8·6	37	35
Total	100	—	—	100	—	—	100	—	—

CAUSES OF STRIKES IN GERMANY, 1899–1904.

—	Percentage of Total Strikes	Percentage of Strikes which	
		Succeeded	Failed
Wages :—			
Against reduction	5·5	30	49
For increase	39·0	23	40
For extra pay for overtime	6·4	31	47
For extra pay for subsidiary work	3·2	38	41
For introduction or retention of piece-rates	·3	20	60
For abolition or against introduction of piece-rates	3·8	19	67
	58·2	—	—
Hours :—			
Against increase	·5	20	70
For reduction	12·8	38	45
For abolition or limitation of overtime, night-work, or Sunday work	1·6	22	68
For shortening of Saturdays or for more holidays	2·7	36	49
For definite rules as regards hours	·6	36	43
For introduction or lengthening of meal-times or intervals	1·4	41	45
	19·6	—	—
Other Causes :—			
For holiday on May 1	·8	13	81
For recognition of trade unions	3·3	33	59
Against use of material from establishment in which strike pending	·9	39	61
For reinstatement of discharged labour	9·5	23	73
For discharge or against employment of certain workmen	3·2	23	74
For discharge of foremen	1·5	21	76
For better treatment	1·0	50	45
For better sanitary conditions	2·0	51	42
	22·2	—	—
Total	100·0	—	—

CAUSES OF LABOUR DISPUTES IN THE UNITED KINGDOM.

—	1901–1905				1903–1905	
	Percentage of Disputes	Percentage of Disputes which met with		Percentage of Workpeople directly affected	Percentage of Workpeople directly affected in Disputes which met with	
		Success	Failure		Success	Failure
Wages	68	20	46	56	14	56
Hours of labour	4·6	22	46	4·2	21	21
Employment of particular classes of persons	12·5	28	55	9·1	22	49
Working arrangements, rules, and discipline	12·5	28	45	12	30	34
Trade unionism	6·8	54	40	16·5	92	6
Sympathetic disputes	·5	20	50	2·2	1	95
Miscellaneous	·6	17	67			
Total	100·0	—	—	100·0	—	—

CHAPTER IV

PRINCIPLES AND METHODS OF INDUSTRIAL PEACE

In this chapter we shall consider the various substitutes for, and aids to, simple bargaining between employers and workmen or their several representatives in the matter of wages that have been proposed in the interests of industrial peace.

First among these suggestions we shall notice sliding-scales, which it must be clearly understood do not dispense with bargaining, but regularise and concentrate it at the sacrifice of certain advantages. At one time sliding-scales were somewhat extensively applied on British coalfields, and in certain other industries.[1] In 1900 the following were the only survivals, according to a report furnished by the Labour Department of the Board of Trade, on standard piece-rates of wages and sliding-scales :—

[1] An account of the trials of the sliding-scale will be found in Professor Smart's essay on the question in his collected essays. See also the appendix on sliding-scales in Webb's *History of Trade Unions*.

SLIDING-SCALES IN EXISTENCE IN THE UNITED KINGDOM AT THE BEGINNING OF 1900.

Trade	District	Date
	Mining and Quarrying	
Coal Mining—		
Miners	South Wales and Monmouth	Jan. 1, 1892, with supplementary agreements of Feb. 17, 1893, and Sept. 1, 1898 [1]
Iron Mining—		
Iron-ore miners	Dalton (one firm)	Oct. 1, 1890
Quarrying—		
Limestone quarrymen	Stainton (one firm)	Aug. 11, 1892
	Metal Trades	
Pig Iron Manufacture—		
Blastfurnacemen.	Askam and Millom (one firm)	—
Blastfurnacemen.	Barrow-in-Furness (one firm)	Amended 1895
Blastfurnacemen.	Cleveland and Durham	Oct. 8, 1895 [2]
Blastfurnacemen.	Cumberland and North Lancs.	Renewed Sept. 9, 1898
Blastfurnacemen.	Ulverston (one firm)	—
Blastfurnacemen.	North Staffordshire	Oct. 9, 1899
Blastfurnacemen.	South Staffordshire	—
Iron and Steel Trades—		
Ironworkers	North of England	July 1, 1889
Ironworkers	Midlands, South Lancs., and South Yorks.	Oct. 21, 1889. Amended July 31, 1893
Iron and steel workers	South Wales and Monmouth	Sept. 1, 1895
Ironworkers	West of Scotland	June 27, 1898
Steelworkers	Barrow (one firm)	Nov., 1895
Steel millmen	Consett and Jarrow	—
Steelworkers	Eston (Cleveland) (one firm)	Nov., 1888
Steelworkers	Middlesbrough (one firm)	—
Steelworkers	Middlesbrough (one firm)	—

Some of these scales may have been repudiated since, besides that of the South Wales Miners, and

[1] Repudiated in 1902.

[2] This scale was terminated in June 1897, and renewed in December 1897.

others may have been adopted, but even apart from the colliers, the numbers working under sliding-scales would seem to have been reduced on the whole. The following figures are significant; earlier figures are unobtainable. The table is compiled from the tenth abstract of labour statistics. The last column relates to all whose wages were changed, by whatever method they were paid, and is exclusive of agricultural labourers, railway servants and seamen. It is introduced for purposes of comparison. It is a highly significant fact, which we may note here incidentally, that over the period 1894 to 1904 only 4·3 per cent. of the persons who experienced changes in wages were involved in strikes or lock-outs with reference to such changes before they were made. The changes on the whole were beneficial to labour, increases in weekly wages reaching a total of nearly 440,000*l.* as against decreases of about 300,000*l.*

NUMBERS (IN THOUSANDS) OF SEPARATE INDIVIDUALS WHOSE WAGES WERE CHANGED UNDER SLIDING-SCALES.

Year	Colliers	Iron, &c., Mining and Quarrying	Iron and Steel Trades	Total	Numbers whose Wages were changed by Sliding-scale or otherwise, without Strike
1894	95	—	88	183	611
1895	100	—	11	111	410
1896	100	·89	85	186	545
1897	100	—	86	186	553
1898	125	·90	43	169	963
1899	125	·62	53	178	1,141
1900	125	·64	58	184	1,081
1901	185	·87	56	191	918
1902	140	·84	38	178	878
1903	—	·80	28	28	883
1904[1]	—	·29	29	80	785

[1] Preliminary figures only.

The iron and steel trades alone are faithful to the system. As the numbers of iron and steel workers whose wages were changed in the years from 1900 to 1904 were respectively in thousands 71, 69, 53, 23 and 63 (the last figure being preliminary only), the proportion of these workers who are parties to sliding-scales is evidently considerable. The proportion of the workers at 'iron &c. mining and quarrying,' whose wages are settled by sliding-scales, is insignificant.

Of late there has been a slight recrudescence of the popularity of the sliding-scale. Three or four years ago a scheme was discussed at length between the master cotton-spinners and the operatives. Negotiations broke down on questions of detail, and their proposed revival recently does not seem to promise any practical outcome. Our impression is that the British operative classes as a whole are not now favourably disposed to the sliding-scale, as it has been popularly advocated. Many are not unreasonably apprehensive lest it should be used to nail down the *status quo*, in respect of the relations between capitalists and operatives. In the United States the sliding-scale met with very limited success, except in the iron and steel trades;[1] and on the Continent it has failed to attract generally either operatives or employers. What Professor Munro termed 'the greatest discovery in the distribution of wealth since Ricardo's enunciation of the law of rent,' became 'suspect' just about the time when it was popularly lauded.

[1] *Report of the Conference of the National Civic Federation*, 1902, p. 158.

Yet sliding-scales have won their triumphs. When their exact implications were not too closely scrutinised, they checked industrial conflicts and yielded wages that were as a rule roughly satisfactory. Some disadvantages might reasonably be borne if the incessant collision of blind opposing forces and the recurrent strike or lock-out could be avoided. Arbitration seemed a mere appeal to chance; but the principle of the sliding-scale, while it also possessed the merit of making prominent the identity of interest of both masters and men in the success of a trade, presented a semblance of scientific rigour which proved peculiarly alluring in contrast with the impression that the industrial world was a chaos in which each party, if wise, would snatch advantages when it could and stand constantly on the defensive against reprisals. The operation of sliding-scales presented, moreover, an ethical aspect of fairness. For long the fact was popularly ignored that the bargain remained and had in effect been rendered more indeterminate; that in fact the principle of sliding-scales involved the striking of many bargains at once for hypothetical circumstances, some of which would never arise, and before data existed to ensure that the bargains struck should not be speculations. For the ratios between profits, prices and wages are perpetually changing, and the 5 per cent. elevation of price which would lead by natural forces to a 2 per cent. rise in wages at one time might necessitate a 4 per cent. rise in them at another time. There are persons who inveterately regard wages merely as a 'fair' reward, and even argue that a 'fair' ratio of sharing between labour and

capital must be fair for all time. But relative wages are also magnets directing the flows of labour, and the 'right wage' is as much a question of what is needed for the comparative magnitudes of different lines of production in the future as of what is a just reward. Hence occasionally the concession of advances not admitted by the scale, the chafing of masters at rising wages when the state of trade dictated reductions, and the discontent of the men at their wages falling or remaining stationary when wages not ruled by sliding-scales in the same or similar callings were palpably on the rise. Of course over the long period compensations were obtained, but they would naturally repeat the disadvantages caused by the corresponding wrong movements—'wrong' in the sense that they were not those which the state of markets would have occasioned. Against the possibility of these defects being felt is to be weighed the guarantee of peace for some time ahead. But, it is almost needless to point out, the settlements made at revision times are just as much bargains as the settlements made when no sliding-scales are in use. No group of premisses has yet been discovered (or is discoverable) from which the appropriate ratio of wages to profits or prices from time to time could be accurately deduced.

We have spoken above of profits and prices, though as a matter of fact in all cases of the employment of sliding-scales wages have been made to follow certain prices. However, it is employers' demand for labour with which wages should be made to slide, so long as the sliding-scale is used as an agency for bringing about automatically the wages

that the forces of demand and supply tend to induce, and employers' demand may be taken as a close variant with net profits. Here we may emphasise that wages naturally follow also alterations on the side of supply, demand being constant, and that it is practically impossible to get an index of supply, or, were it obtainable, evaluate it in relation to the indices of demand. Mr. Pigou lays stress on the ignoring by sliding-scales of the influences connected with the supply of labour, though on the whole he considers the imperfections of sliding-scales to be less than is sometimes supposed. 'The necessity of regarding these two groups of independent causes sets a limit to the accuracy of any mechanical device based upon one group only. This constitutes a fatal argument against the claims to scientific perfection sometimes advanced on behalf of sliding-scales. Under them oscillations in labour supply are altogether ignored, and the inaccuracy introduced on this account has sometimes proved so great that it has been necessary for one party voluntarily to concede to the other terms more favourable than those which the scale decreed. The recognition of this fact is not, however, equivalent to the rejection of sliding scales in practice. Though a scale maintained unchanged for ever would certainly do harm, one in which arrangements are made for revision at short intervals, and in which, perhaps, the scope of possible error is limited by a maximum and a minimum point, may easily, for all its inaccuracies, do a considerable amount of good.'[1]

[1] Pigou's *Industrial Peace*, p. 104.

Broadly speaking, on the demand side, it is relative profits over the industrial field as a whole which regulate relative wages, and by sliding-scales the attempt is made to substitute for the seeming fatality of this process the precision of calculation. The profits, observe, which the prices are taken to measure must be normal profits, and not the profits of particular firms. Under the play of market forces the operative could secure no share of the profits which are of the nature of a rent of ability. One exception must be allowed, namely, the case in which private profits are in some measure due to the length of service of the hands or their special interest in the business. In this event the operatives may actually get more than normal wages; as they do, for instance, in some labour co-partnership factories. In ordinary circumstances it is desirable that those doing the same work should receive the same pay.

Now the prices of some one commodity, or group of commodities—in whatever fashion they may be obtained—are but a very rough measure of profits or employers' demand, even in an industry with so small a range of products as coal-mining. There are many qualities of coal, for instance; there are also stocks; and the other expenses of mining, in addition to wages, are by no means negligible In some industries the costs other than wages play a large part in determining profits; hence when a sliding-scale was suggested in the cotton-spining industry it was proposed to make wages move with 'margins'; that is, the difference between the prices of a typical grade of raw cotton and a typical class of yarn. But all yarns are

not typical, and the prices of raw cotton are not the only costs besides wages. Again, market prices are only known publicly with any degree of exactness in developed markets, in which the distinguishable kinds of commodities are scanty enough to be graded; and prices read from the books of some selected firms (who are willing to open them to accountants) need not be normal prices. For all these reasons it is apparent that the prices or margins with which wages are made to slide need not be sliding themselves with normal profits. The difficulty is partially, but not wholly, obviated by many indices being collected, including the output; so that an increased demand for labour is not liable to be mistakenly inferred; but the accumulation of indices means the massing of possible grounds of dispute. The weight to be attached to each index would have to be predetermined, or authoritative interpretation would be necessitated, which would mean in effect arbitration instead of an automatic slide of wages.

Further, it remains to point out that, though normal profits are a partial determinant of wages, it is not so much the profits of the past which settle the wages of the future as anticipated profits. It is of incidental importance to observe in this connection that only by the exercise of foresight can business be deterred in its drift into recurrent depressions or disasters: the cycles of trade are largely occasioned by the unquestioning submission of enterprise to the influence of successes or failures just past. Anticipation, founded on a wide review reaching far into the past, consciously or unconsciously formed, is becoming an increasingly significant component

of the demand for labour. To this objection Mr. Pigou has made the ingenious response that past prices will reflect the anticipations of the future. He writes:—'The answer to this argument is found in a closer analysis of the phrase "public demand." In the present connection it signifies the demand, not of the ultimate consumers, but of those intermediate dealers who buy from the manufacturers, and whose operations are the proximate cause of changes in wholesale prices. When such persons are present, it is extremely improbable that prices will fall when the anticipations of the leaders of industry are roseate, or rise when they are gloomy. For these anticipations will generally be shared by the dealers, and, if so, will be reflected in their present demand, and, hence, in present prices.'[1] The objection is, therefore, he says, 'only relevant in cases where the forecasts of manufacturers and dealers are at variance. Since, however, the former forecasts are in the main based upon the latter, such cases will be exceedingly rare.'

Mr. Pigou's reply is important as against any who have assumed that expectations do not instantaneously react upon the present—'Le présent est gros de l'avenir; le futur se pourrait lire dans le passé'—but it does not wholly solve the difficulty. Anticipation as to a point, say, six months ahead, would not much affect prices for immediate delivery in a market in which existing supplies could not be used ultimately to satisfy demand so far ahead, let us suppose, as three months—where the commodities, for instance, are comparatively perishable, as even

[1] Pigou's *Industrial Peace*, p. 96.

coal is, or where varieties are so many and so changeable that they cannot be produced much for stock. Present prices for future delivery will of course be determined by these expectations, but it has never been seriously proposed that these prices only should be taken into account, and no doubt practical difficulties would be met with in any attempt to carry out such a suggestion, and the question would arise as to whether these forward purchases reached far enough into the future and were effected in sufficient quantities to afford a satisfactory index of the general level of the demand for labour, say, for the next twelve months or two years. If future prices be taken in conjunction with prices for immediate delivery, then, in the case supposed, future wages might be unreasonably weighed down by an irrelevant past. Moreover, the anticipation of future prices, it must be observed, is a function of the wages which the sliding-scale will allow. Being tied to a wage calculated from prices reaching back, let us suppose, for three months, employers may see that they cannot reach the output which a higher wage would enable them to get, and hence some check on the natural reaction of supply on demand would be administered, and an unnecessary elevation of price for a time would be entailed to the net loss of the community. The fixing of present prices for future deliveries—so far as it takes place—is of course the outcome of the interaction of demand (expressed through the dealers and foreseen by the producers) and producers' estimates of the costs at which different outputs can be attained in the future (which evidently are functions of the wages to be paid and

the labour obtainable). Further, even in cases in which these objections are not practically of much weight, it is apparent that anticipation as to the future, when the change of wages is being made, may not have extended its influence over the majority of the period, upon the prices realised in which future wages are to be fixed, if it has affected present prices. This point is not ignored by Mr. Pigou. 'As Mr. Cree has pointed out,' he writes, 'it is generally only after prices have remained up for some little while that employers think seriously of expanding their business, and they hesitate in a similar manner about reducing production when a depression sets in. The labour demand at any time is thus ultimately a derived function of the public demand for the commodity which existed at an earlier time.'[1] But this certainly cannot be postulated as an invariable circumstance.[2]

One of the leading reasons for which sliding-scales have been repudiated by the operatives is of more than doubtful validity. It has been argued that employers may keep wages down by entering into long contracts assuming low wages. Here two assertions are made. The one is that by long contracts the men are forced to continue paying the penalty for the masters' bad bargains for a long period ahead. Hence the clauses sometimes adopted, limiting the number of revisions (the periods between which vary from one month to three months) in which any one contract may be taken into account; but it must be

[1] Pigou's *Principles and Methods of Industrial Peace*, p. 95.

[2] For some further discussion of the questions dealt with in this paragraph see pp. 222–3.

remembered that if the men suffer from bad bargains for a long time, they gain also for a long time from good bargains. The other assertion is—and this is the kernel of the operatives' complaint—that with a sliding-scale in existence it may pay employers to sell at lower prices than they would otherwise, because they know that low prices involve low wages. While there is some truth in this contention—since the peaceful slide of wages means that the employer is relieved of opposition from the operatives to any policy in respect of prices that he may think it desirable to carry out—there is also an implied fallacy. Employers will not sell part of their normal output at less than they can get, and they cannot very well elect to increase their output and lower prices in face of the inevitable fall in wages, which would have the effect of contracting, rather than increasing, the number of hands in the industry, and so diminishing the output. It might, in certain circumstances, pay to enlarge the output considerably and lower prices and wages; but the output cannot be increased while wages decrease relatively, unless, indeed, they had been kept artificially at an abnormally high level before. It seems not improbable that the sliding-scale may have operated in lowering an artificially high level of wages among the colliers, but that it could not in the way supposed bring about in the long run a less than normal wage, when compared with the general rate of wages, is apparent. The wage-earners, sometimes—the South Wales colliers recently, for instance—are really anxious that employers should contract the output and force prices up. By the workers in many industries the policy

of restricting the output and making the trade the monopoly of a small group of labour is occasionally advocated, and it is certainly not fully realised that the universal adoption of the plan would inevitably damage everybody. The operatives understand perfectly the reaction of prices on the output, and the colliers of South Wales carried their idea into effect by agreeing on 'stop days.' The imposition of occasional 'stop days'—even assuming that no contracts are broken and that the colliers' action is not illegal in other respects—must inevitably add to the price of capital, since the risks of investment in the coal trade are thereby increased.

Frequently it has been accepted without question that the sharing in all the small ups and downs of profit by the workmen, which might be secured through the agency of sliding-scales, is desirable, since otherwise the labourer is robbed of his just reward. It is not always realised that if wages do not rise with minor movements in profits, neither do they fall with them. And, further, there is the important question of the comparative advantages of steady and fluctuating incomes, apart from the point already dealt with as to the appropriate variation of the wage with employers' demand.[1] Professor Schmoller strongly inclines to the view that the former is best. 'It is questionable,' he says, 'whether the principle itself' (implied in sliding-scales) 'is right that wages should vary just as profits. Only the propertied classes and

[1] The terms 'earnings' and 'income' are used here because the ambiguity of the word 'wages' is apt to lead to misapprehension, as it has, for instance, in Mr. Pigou's interpretation of the passage quoted from the *Economic Journal* on pp. 67-8 of his *Industrial Peace*, where 'wages' meant weekly wages.

some workmen with large reserves can endure such big variations. The ordinary workman is in a better position if wages vary less, if in any case they fall as little and as seldom as possible below the amount which is sufficient to maintain the workman's standard of living and is adapted to it. Hence, of late years, the stubborn and deliberately planned battle in England for "the living wage" and the agitation for the recognition of "the minimum wage," to the payment of which numerous central and local governing bodies have already pledged themselves.'[1] In support of this view a great deal can unquestionably be said. When wages fluctuate greatly the standard of living is shaken and the range of its control over the expenditure of income tends to be reduced, with the result that income in excess of some minimum much beneath the average is apt to be disbursed wastefully.[2] Again, when the wage falls below the point to which the standard is adapted, expenditure is liable to be curtailed where it can be spared least, so that efficiency suffers; or the deficiency of income may be made up by costly appeals to the pawnshop. Only after long trial is the most satisfactory mode of spending an income devised: to get the best from a given wage requires thought and experience; to get the best from wages varying considerably and frequently requires more economic capacity than is at present exhibited generally in this country in the management of small incomes. It goes without saying, of course, that the more closely

[1] *Grundriss der Allgemeinen Volkswirtschaftslehre*, part ii. p. 814.

[2] Upon this question see Mrs. Bosanquet's *Strength of the People*, pp. 79 *et seq.*

wages follow the fickle variations of profits, the farther extended are the confines within which fluctuations may take place.

There remains, however, the important question as to the relation between piece-rates and weekly earnings in different circumstances; for though the slide might be arranged between weekly earnings and profits or prices, full employment being assumed, it is piece-rates which would be as a rule linked with these. It must not be imagined, however, that the system of sliding-scales is applicable only to piece-rates. Mr. Pigou argues (1) that when the elasticity[1] of the relevant parts of the demand for labour is greater than unity, the slide of piece-rates does not cause a lower level of income to be touched than would be the case under a fixed system, and (2) that, though 'in the case of highly inelastic demand the result at first sight appears to be different,' there must be set against this the tendency for greater numbers to be thrown out of work altogether under the system of the fixed wage. In considering this reasoning we may notice firstly that the amount of work offered to each person is regarded as a function of the piece-rate paid. But in many cases the wage is this function only in a strictly limited sense. In a large group of industries, businesses run pretty steadily through small oscillations of trade. We may notice, secondly, that the contrast should not be drawn

[1] 'The *elasticity of demand* in a market is great or small according as the amount demanded increases much or little for a given fall in price, and diminishes much or little for a given rise in price. . . . Speaking more exactly, we may say that the elasticity of demand is one, if a fall of one per cent. in price will make an increase of one per cent. in the amount demanded' (Marshall, *Principles of Economics*, 4th ed., p. 177).

between the sliding-scale and a fixed wage, but between a system under which an automatic slide takes place, say, every three months, and one under which wages change when employers or operatives think there is need and can agree upon the point.

In order to understand the fundamental questions at issue it will be desirable to distinguish between the small ups and downs of trade which do not affect the broad lines of employers' policy, or influence at all considerably the flow of labour and capital, and the larger or more enduring movements which necessitate the expansion or contraction of industries. All are agreed that the second class of movements call for readjustments of wages, and the theoretical case against such readjustments being settled by sliding-scales is that a rate of variation of wages with the index of the scale fixed before the movement appeared, the variation being based, say, on the three months just before, is not likely to meet appropriately the situation that is more or less foreseen. Ordinarily the new wages would be settled by a process of bargaining, in the course of which the new implicit forces on the supply and demand side would become defined and would therefore determine their own equilibrium. Even if sliding-scales are in use they are liable to break down under the conditions supposed if rapid or considerable alteration is involved. Mr. Pigou brings forward as one of the considerations to determine choice between the system of bargaining on the initiative of either party and sliding-scales, the quantities of displacement of labour under a sliding-scale and under fixed wages, but to this reasoning the rejoinder may be made that in the majority of

industries to which sliding-scales seem applicable, according to experience and deduction, the displacement of labour caused by small trade oscillations may be taken as negligible, while any threatened displacement of a serious character occasioned by long-period movements creates the situation that calls for a new settlement of wages.

If this representation may be taken as exact there remains the question as to the best arrangement for the short-period oscillations, (1) in industries in which the work done is roughly a constant, and (2) in those in which it varies considerably and immediately with the wage paid (*a*) in cases in which the work done per head is easily altered, and (*b*) in cases in which it is not. In class (*b*) of the second group of industries the fixed wage would mean dismissal of some hands in the case of falling demand. It would, therefore, seem to be better that all should take lower wages for a time to avoid this, it being assumed that the percentage of reduction in wages is not entirely out of proportion to the displacement of labour that would otherwise occur. There is necessarily involved in this solution that wages should rise with advanced demand. In class (*a*) of the second group of industries—say the case of bricklayers—what is best for the workpeople involved depends upon the elasticity of the short-period demand curve, which we suppose to oscillate parallel to itself, the amount of its oscillation, and the character of the variation of disutility with the hours of labour per day or per week. Generally speaking, the more elastic the short-period demand curve and the less elastic the disutility curve the more likely is a variable wage to prove beneficial

to the operatives when demand falls away and disadvantageous when demand rises. The utility of money has been taken as constant: modifications due to its fall with increasing income the reader can easily supply for himself. However, we must not overlook the reaction of the provision of work upon the demand for it. If the provision of work is made rapidly variable, the casualising of demand is encouraged, whereas in the opposite event it is induced to spread itself more evenly. With much oscillation of demand in the short period there is likely to be a frequent drafting into the industry of unskilled and wasteful labour for temporary use; some temporary dismissal of skilled hands in other cases; and at certain times the working of the skilled at hours that do not yield the most economic results. Observe that in respect of these short-period oscillations the aspect of the wage as a magnet upon those choosing a more or less permanent calling may be disregarded, for the wage as such a magnet would be the average wage over a normal period.

But it must not be supposed that we desire to depreciate the valuable work that has been done or is being done by sliding-scales. With all their theoretical imperfections they have worked practically in many cases and made for peace. Their strength has been their emphasis of reasonableness, and they have caused each party to regard the interests of the other. By necessitating the existence of a joint committee they have brought representatives of employers and employees periodically together, and assisted them to understand one another. If too much is not expected of the sliding-scale, if its

defects are recognised and it is readily revised as need arises (though, indeed, frequent revisions may undesirably weaken its authority), analysis and experience demonstrate that under certain conditions it may prove a happy device. Its use for a time—even its use under inauspicious circumstances—may firmly establish a joint Committee which will manage satisfactorily the matters previously settled in large part by the scale. This has repeatedly happened.

Next we turn to the principles of Arbitration, Conciliation and Mediation, from which so much has been expected at different times. In the last fifteen years every leading country has legislated, or been upon the verge of legislating, with reference to these principles, and in our Australasian Colonies the most daring experiments have been made.

Beginning with arbitration, we may at once draw a dividing line between the interpretation of existing contracts and the arrangement of new labour contracts. In the case of the former there would seem to be no insuperable objection to arbitration even if compulsory. The existing contract if unalterable for a time is never fixed for a long time; hence unintended results may ultimately be righted, and it would seem to be best on the whole for all parties, when a dispute arose out of the interpretation of a contract, for some unbiassed person to pronounce an authoritative decision on the expectations that would generally be created by the contract, in view of all the circumstances, including the statements that passed unchallenged at the time that it was made.

The most famous courts for dealing with disputes arising out of the interpretation of existing contracts are the Conseils de Prud'hommes of France and Belgium, and the corresponding Gewerbegerichte of Germany. The attention of the English people has frequently been called to the valuable work done by these courts, and not only of late years.[1] Although the first Conseil de Prud'homme was not established until 1806, its roots lay in the distant past. Trades had possessed in their gilds tribunals for settling disputes, but under the law of 1791 the gilds came to an end and with them the industrial courts which they maintained. The silk manufacturers of Lyons so sorely felt the loss of their court that when the emperor visited their town in 1805 they petitioned successfully for the establishment of a court of the same character. This, the first Conseil de Prud'hommes, proved highly satisfactory, and the creation of others rapidly followed. Largely for historical reasons the Conseils de Prud'hommes soon won their way into favour among the German States. Courts were instituted in many towns on the left bank of the Rhine under the Napoleonic Code, and when the Rhine provinces reverted to Prussia the Conseils de Prud'hommes were retained and served as models for the imitation of other German towns. Their development in Germany has since been encouraged.

At the present time in France the Conseils de Prud'hommes are set up on the recommendation of the Chambers of Commerce, Consultative Chambers of Arts and Manufacture, and the Municipal Councils

[1] See, *e.g.* Lord Brougham's speech in the House of Lords on the strike in the building trade in 1859.

of the districts for which they are suggested, by decrees which define the industries to which they shall apply, the area of their authority, and the number of members, which must not be less than six. Only manufactures proper fall at present within the purview of these Councils. Members are elected in equal numbers by employers and employees on a reasonably liberal suffrage. The president, who must be an employer, and the vice-president, who must be a working-man, are appointed annually by the Council from its members, and there is no restriction on the re-election of the same persons. Members serve six years, one half of the Council retiring every three years, and all are eligible for re-appointment. Generally members receive no remuneration, but communes may, if they so desire, arrange payment for their services.

Any matter coming before the French Courts must have arisen out of a dispute between an employer and one of his employees relating to an existing contract, written or implied, including the observance of conditions set forth in apprenticeship agreements, and the claim must not exceed 8*l.* in cases in which final judgment is given. If more than 8*l.* is involved, an appeal is allowed to the Tribunal of Commerce. The courts have two chambers, the one for conciliation, the other for judgment. In the Conciliation Court one master and one workman sit; in the other court two masters and two workmen, together with the president or the vice-president, who preside alternately. It is wisely provided that contending parties may not be heard in either court through counsel. These councils of

'experts,' while they have no authority to deal with large matters and new contracts, provide a cheap and effective way of settling rapidly those small disputes which, if left to intensify and accumulate, generate an atmosphere of irritation in which a serious quarrel may break out at any instant. In round numbers about 50,000 cases come before the courts each year. Of these, it is satisfactory to note, some 60 per cent. are settled by conciliation, while about 15 per cent. only go to final judgment, the remainder being withdrawn. In Germany, about 45 per cent. of the cases are conciliated and seldom more than 20 per cent. are argued for final judgment.[1] In 1903, in Germany, 116,000 disputes were dealt with, of which 107,000 were brought by workmen against employers, and only 8,000 by employers. In addition to the General Industrial Courts of Germany, of which 426 existed in 1903, there are numerous courts of a similar character instituted by the gilds which refer only to handicrafts. The figures above do not cover the activities of the latter. The German Industrial Courts (*Gewerbegerichte*) differ in some essential respects from the French Conseil de Prud'hommes, though, broadly speaking, the two sorts of tribunal fulfil the same functions actually. The German Courts may be set up by communes, unions of communes, and in certain cases by provincial authorities, and their sphere may be limited to certain industries. They must consist of president, deputy, and four representative associates at least, half being elected by employers and half by employees, for six years at most and one year

[1] See the *Handwörterbuch der Staatswissenschaften* of Conrad and Lexis, and the *Statistisches Jahrbuch für das Deutsche Reich.*

at least. The president and deputy-president are appointed by the local authority, and they must not be chosen from the ranks of employers or workmen. This is a departure from the French system, as is also the absence of any limit to the value of the matter in dispute that may be brought before the German Courts. Their jurisdiction is defined as extending to: '(1) The making, continuance, or breaking of the labour contract, and the surrender of, or making of entries in, labour pass-books or certificates; (2) claims on account of services rendered, or for indemnities arising out of such relations, and the payment of fines; (3) the calculation and charging of dues required of employees for the sick insurance funds; and (4) claims of employees against one another when work was undertaken jointly under the same employer.' [1]

Proposals to amend the French Courts have been made from time to time. These are well summarised by Mr. Knoop in his *Industrial Conciliation and Arbitration*. 'On several occasions the Chamber of Deputies have passed Bills to alter the existing law with regard to Councils of Prud'hommes, but in each instance the Senate has rejected them. The chief changes proposed are: That experts should be elected for commerce, agriculture, and mining; that the minimum age of electors should be reduced to twenty-one and that of members to twenty-five; that foremen and chiefs of workshops should be counted as employers; that employers and workmen should remain electors and eligible for memberships on the councils for ten years after retirement; that the franchise

[1] *Report of the American Industrial Commission*, xvi. p. 198.

should be extended to women over twenty-one; and that judgment should be final when the amount involved does not exceed 2,000 francs. The only suggestions which the Senate countenances are the extension of the jurisdiction of the councils to mining, and the raising of the limit, under which judgment is to be final, from 200 to 300 francs. It is possible that some alteration of the existing law may be made in the future, but so long as the proposals of the Chamber of Deputies remain as radical as they are at present, there seems little chance of a compromise being effected.' [1]

We shall notice later the extent to which arbitration and conciliation have been resorted to in France and Germany in larger matters; now we propose to examine the extreme use that is made of arbitration in industrial disputes in some of the Australasian Colonies.

The first Act embodying the new ideas was passed in New Zealand in 1894. There was no organised opposition on the part of employers, though it is evident that many of them were apprehensive. No doubt there would have been opposition had the lines upon which the new policy was to develop been foreseen, especially the large part arbitration would come to play in the settlement of wages and conditions of labour. 'Mildly interested, rather amused, very doubtful,' says the proposer of the Bill, Mr. W. P. Reeves, 'Parliament allowed it to become a law and turned to more engrossing and less visionary measures.' The trade unions were almost wholly

[1] Knoop's *Industrial Conciliation and Arbitration*, p. 120.

favourable to the proposed legislation, and this fact alone should warn us not to apply too hastily ideas grown under English conditions in criticism of New Zealand's latest exploit, for trade unionists in England would object to such a scheme almost as unanimously as in New Zealand they welcomed it. It must be remembered, also, that, apart from Government workmen, there are only about 50,000 male and female hands in all the factories and workshops of New Zealand. The original measure was amended in 1895, 1896, and 1898; a Consolidation Act followed in 1900, further amendments in 1901, 1903, and 1904, a 'Compilation' Act in 1905, and amendments of this in the same year and in 1906. The necessity of continual amendment becomes comprehensible when we remember how entirely unique was the original experiment. We need not explain here all the points in respect of which alterations were made, as we are concerned in this work merely with the general features of the law and the most significant lines of its development.

For the purposes of the Act, New Zealand is divided into industrial districts—there were eight in June 1903—and in each of these there is set up a Conciliation Board consisting of four representatives —two elected by employers' associations, and two by trade unions—and a chairman upon whom the four agree, or one appointed by the Government in the event of the four representatives failing to agree. Special Boards may also be created from time to time. These boards try to make arrangements mutually satisfactory to the contesting parties when

disputes are brought before them, and if they succeed, the agreements arrived at become binding for a fixed period in the same way as the award of the Court of Arbitration. Since 1901, on the requisition of either party to a dispute, the stage of conciliation must be omitted. An award must hold for six months at least and may be imposed for so long a period as three years,[1] and since 1900 the law has been that on the termination of the decreed currency of an award it remains in force until one of the parties thereto applies for a revision. There is one Arbitration Court only, and this travels round the country. It consists of a judge of the Supreme Court, who is president, and two others, who represent respectively employers and employees. The court deals with all the cases that the Boards of Conciliation fail to arrange, and since 1901 it has been permissible to take disputes to it direct. It may refer any matters before it to a Board for investigation and report, and it possesses large powers to enable it to elicit evidence. The Boards of Conciliation have the same powers as the Arbitration Court to summon witnesses, administer oaths, compel a hearing and receive evidence; but the former cannot, like the latter, order books to be produced for inspection. Infringements of awards are punishable by fines; 500*l.* is the maximum, or 10*l.* from each member of an industrial union of workpeople; but hitherto much smaller penalties have been exacted. Factory inspectors are inspectors of awards. Strikes and lock-outs are illegal, and, generally speaking, any action which is intended to defeat the provisions

[1] For two years only prior to the Act of 1900.

of awards[1]; consequently there is some doubt as to what an employer's powers of dismissal are. Certificates of incompetency may be given to certain workmen, which authorise the payment to them of a wage lower than that made current by an award, but the employer's allegation of incompetency will not alone entitle them to the certificate. Usually the certificates are granted by a trade-union secretary on arrangement with employers, but in some cases joint committees have been formed with authority to issue them.

Only associations of employers or operatives are empowered to set the law in motion, though individual employers and non-union workmen are bound by the decisions arrived at.[2] This seeming restriction is slight, since workmen's unions with seven members, and employers' associations with two members only, are recognised for the purpose. Upon this point Mr. Wise, who introduced compulsory arbitration into New South Wales, has written: 'In New Zealand, owing to the permission of any seven persons engaged, for no matter how short a time in one employment, to register themselves as an industrial union, employers have been exposed to being harassed by trivial complaints arising from the perversity or ill will of their workmen, and sometimes, it is to be feared, incited by trade competitors.'[3] In New South Wales, in order to curtail somewhat the

[1] The maximum penalty for striking or locking-out is 100*l.* in the case of a union, association, or employer, or 10*l.* in the case of a worker.

[2] Since 1900, when cognisance was first taken of unorganised workpeople, a non-unionist has been liable to a fine not exceeding 10*l.* for breaches of the law.

[3] *National Review*, August 1902.

labour of the courts, a membership of fifty is required in trade unions that have a status before the similar law in force there. We are unable to say whether the objection to which Mr. Wise drew attention remains, but it is to be observed that under the existing law in New Zealand the Registrar possesses authority to refuse his sanction to the unnecessary multiplication of industrial unions, subject to appeal against his decision to the court.

Every award binds newcomers in the regulated industry so far as they work in the industrial district to which it relates, and the district over which a judgment holds may be specifically limited. It was originally intended to confine the scope of an award to the district in which it was announced, but now authority is given to declare a rule binding even throughout the colony when it seems expedient in consequence of competition. If extension of an award outside its original district is proposed, however, any union of employers or workmen may lodge a protest, and in such case the application of the award to the district to which the objectors belong is suspended until the court has heard the matter argued in that district. Great care has to be exercised in arguing from one case to similar cases in other parts of the colony, owing to the marked differences between local conditions in New Zealand. Such differences are not nearly so striking in New South Wales, according to Mr. Reeves, and this partially accounts for the more frequent imposition there of the common rule. In New Zealand the power of making colonial awards is seldom exercised, but any new firm starting work after the promulgation of an award, to which other-

wise it would naturally have been subject, becomes bound by that award.

Closely related to the question of district and colonial awards is the question of the divisions to be recognised between trades, since an employer may be as much affected by the wages paid by the producer of a substitute for his product as by the wages paid by a competitor in his own trade, and alterations in demand affect pretty much in the same way all the constituents of the group of industries which satisfy joint needs. Hence the following sections were incorporated in the Act of 1900 :—

1. An industrial dispute may relate either to the industry in which the party by whom the dispute is referred for settlement to a board or the court, as hereinafter provided, is engaged or concerned, or to any industry related thereto.

2. An industry shall be deemed to be related to another where both of them are branches of the same trade, or are so connected that industrial matters relating to the one may affect the other—thus : bricklaying, masonry, carpentering, and painting are related industries, being all branches of the building trade, or being so connected as that the conditions of employment or other industrial matters relating to one of them may affect the others.

3. The governor may from time to time, by notice in the *Gazette*, declare any specified industries to be related to one another, and such industries shall be deemed to be related accordingly.

4. The court shall also in any industrial dispute have jurisdiction to declare industries to be related to one another.

The enforcement of the preferential employment of unionists by certain awards has excited more discussion, perhaps, than any other detail in the administration of the Act. The sub-title of the original Act,

namely, 'An Act to encourage the formation of industrial unions,' had something to do with the final decision of the court in 1896 to allow a claim that preference should be given to trade unionists. In this case—the Canterbury bootmakers' case—the trade union had practically controlled the labour market before the Act was passed, and in the award it was stipulated that the favour could only be insisted upon if the union labour were as efficient as the non-union labour. The court has refused to award it where the trade union does not control the majority of employees. The position of the court was defined by the judge in 1898 in the case of the Christchurch engineers: 'The claim of a union to preference to employment, in my opinion, necessarily fails when it is ascertained that the union is not really representative of the greater number of men employed in the trade, and the claims of the union have not resulted in any practical benefit to the bulk of the workmen.' Moreover, of late the court has insisted that admission to a trade union, to which this exceptional treatment has been conceded, must be obtainable by any competent man on payment of reasonable charges. Even when preference is not granted, the prevention of discrimination against unionists is invariably allowed.[1] In the Canterbury bootmakers award the court went even further in conceding special advantages to trade unionists; it was declared that 'when a non-union workman is engaged by an employer in consequence of the union being unable to supply a

[1] In this respect conditions become identical with those which Millerand tried to bring about by his strike law, to which exception was taken by French trade unionists. See pp. 102–8.

workman of equal ability willing to undertake the work, at any time within twelve weeks thereafter, the union shall have the right to supply a man capable of performing the work, provided the workman first engaged declines to become a member of the union.' This provision was made applicable to those non-union men already employed. In a subsequent award in Auckland in the same industry, however, Dr. Clarke has pointed out, such a concession (which meant in effect the proscription of non-union labour, its tenure of employment being rendered so insecure) is withheld, and it is declared that 'no employer shall be compelled to discharge any non-unionist already legally employed by him, notwithstanding such workman may not hereafter join the union.'[1]

Emboldened by the support of the court the labour party in New Zealand is asking now that the preferential employment of trade unionists shall be enforced by statute. To this proposal employers as a class are vehemently opposed; their associations have adopted strongly protesting resolutions, and chambers of commerce have lent to their resistance almost unanimous support. The reasons advanced for the demand that trade unionism should in effect be declared compulsory are: (1) that the expense of putting the Act in operation falls upon the unions, though all labour benefits; (2) the difficulty of holding the unions together without it; (3) that preference is only given now, when, but for the Act, it would not have been wanted—that is, when the union was strong enough to enforce it before the Act took away its right to enforce it; (4) the suspicion that

[1] Dr. Clarke reported for the United States Government.

unionists are discriminated against in an underhand fashion;[1] (5)—an argument not so much used by the unions—that it is desirable that a majority of all the labour employed in a works should be agreed before a case is stated for decision under the Act; and (6)—an argument occasionally advanced by those employers who do not object strongly, or at all, to compulsory preference being accorded to trade unionists—that, so long as an award is in force, there should be some responsible body in existence to answer for any breach of it by employees.

The following collection of answers given to Dr. Clarke will illustrate the passages above :—

A secretary of a trade and labour council said, 'Without preference where the unionists are in the minority they may fail to represent the true sentiment of the employees in an industry, and so use the Act to a bad purpose. If all the Conservatives are outside the union ranks it's a bad thing for the masters. When we get a poor award it often kills a union, as in case of builders' labourers here, who were awarded only £1·70 a day when they had been getting £1·95 in many instances.' A union secretary: 'I say, let all the employees be compelled to join and bear their shares of the burden of enforcing the Act if they are going to get the benefit of it, and then let the fittest survive when it comes to getting employment.' A union secretary: 'Preference to unionists by an amendment to the Act is only a way of taxing every workman fairly for the benefits he gets from the Act. With the restrictions Parliament would put in, allowing any man to join, it would be only an indirect tax—the union fees—to be used for running the Act.' The

[1] In one case damages were obtained against an employer for dismissing the president, secretary and son of the secretary, of a trade union, but it is contended that it is not always easy to prove the offence of victimising or discriminating.

president of a trades and labour council: 'We know of specific cases where union men have been dismissed without other cause than their being unionists. It's not compulsory reference to unionists, but compulsory unionism that we want; first, so the cost of getting awards may be equally distributed among all the beneficiaries of the awards; second, so non-unionists may be equally liable with unionists for breach; third, so employers can't give preference to non-unionists. The court gives preference to unions having a majority of employees in their ranks. But those are just the unions that don't need preference.' A union secretary: 'We don't object to the conditions of preference made by the court. They don't affect the discipline of the unions. In the furniture trade the union had thirty-five members before the award granting preference was made, and the number rose soon afterwards to 150. There is real preference to non-unionists unless preference is given to unionists. The law would not harm fair employers.' A labour member of Parliament: 'One of our furniture manufacturers has spoken publicly in favour of compulsory preference to unionists. Preference awards have not created discord in unions by bringing in inharmonious elements. All the plumbers and gasfitters in the city are now members, and no trouble has resulted. Where there is no preference union leaders have been quietly discharged and real preference given to non-members. Even under preference awards some employers discriminate against unionists by saying that the non-union man is the best workman of the whole lot.' A labour member of Parliament: 'Another argument in favour of compulsory preference is that it would prevent connivance of some workmen with their masters to break the awards.' A labour member of Parliament, not previously quoted, argued in a recent address: 'At present the Arbitration Court could deal with only a small portion of the workmen in a trade, and was not in possession of information as to the number of men affected by an award. If legislation made it compulsory for every working-man to belong to a union, the court would be in a position to obtain

this information, and employers would no longer have to face the question of unionist and non-unionist. It would increase the employers' right and liberty to select men from the whole range of men available.'

It is evident from the finding of the court in the Wellington Grocers' dispute that the court has no present intention of permitting itself to be used as a tool for restricting the numbers in certain trades. The finding ran:

There are some occupations where it is advisable to limit youths in number. But there are other occupations where no such limit is either reasonable or necessary, and as we have said on more than one previous occasion, it is our duty to see that the avenues for suitable work are not closed to the youth of the colony. We owe a duty to the boys of the community, as well as to the adult workers of the colony, and that duty we must perform to the best of our ability. In practically every occupation the regulation of which has been submitted to this court we have been asked to exclude youths beyond a limited proportion to the adults employed. That proportion is generally stated at either one youth to three, or one youth to four adults employed. Thoughtful working-men, we think, must recognise that if their boys are debarred from obtaining suitable employment in trades from which there is no natural right for their exclusion, a wrong is done to these boys, and the difficulties surrounding the bringing up of a family are very much increased. The interests of the colony demand that there must be no improper shutting out from the legitimate means of earning a livelihood by the youth of this colony; and we think that we are amply justified, in the interests of the working classes themselves, in again emphasising this principle. While, therefore, we do not limit in any way the employment of youths in this trade, we prescribe a scale of wages to be paid to them according to age, which we think will prevent any abuse.

Yet some cases of the checking of industrial growth by the restrictions of entries to a trade under sanction of an award have been brought to light. The limitation of the proportion of learners is sought by some unions both to prevent the supplanting of adult labour by child labour, and to keep down the number of skilled workmen in the trade. The indenturing of apprentices is commonly desired by the trade unionists of New Zealand, but it has not been the practice of the court hitherto to compel indenturing where it had not previously existed. The court, with its scant experience, is wise in adhering closely to the *status quo* at present.

It will be interesting to observe how the court will deal with any big dispute arising out of the introduction of new machinery. The public will very likely expect a solution to be found, but the question is such that the only solution which can be ultimately satisfactory resides in the powers of adaptation of the people themselves. An award in 1901 relating to the Canterbury bootmakers is an interesting case in point; one clause ran: 'It is the manufacturer's right to introduce whatever machinery his business may require. . . . Any system of subdivision may be used either in connection with hand or machine labour; but the employer must arrange the subdivision so that the product of each man is a separate and independent operation.' The last sentence may have suited the facts of the case, but obviously under conditions of group production it could not be generalised.

When the Act was first passed it was hoped that most disputes would be determined by conciliation, but

hitherto about two-thirds have been passed on to the Court of Arbitration. The disputes settled by the boards and the court respectively between April 1895 and June 30, 1902, were as follows for the different districts:—

—	Settled by Board	Settled by Court	Total
Auckland . . .	19	17	36
Wellington . . .	5	41	46
Canterbury . . .	10	40	50
Otago and Southland .	16	41	57
Westland . . .	4	4	8
Total . .	54	143	197

The striking divergencies between the successes achieved by the several boards would seem to indicate how much effectiveness depends upon the constitution of the board. Some delegates assumed a partisan attitude, and chairmen did not possess equally the qualities needed for performing happily the delicate task of mediating. The triumphs of conciliation are won only after long trial, and it would seem therefore to be regrettable (especially in view of the comparatively excellent results attained at Auckland under great difficulties and after so little experience) that by the amendment of 1901 the stage of conciliation may be omitted altogether. Patience with measures of mediation might have led ultimately to most affairs in dispute being satisfactorily met by the mutual arrangements that can be hit upon only at the sittings of joint committees. Undoubtedly conciliation has been made very difficult by a second hearing, before the Arbitration Court, being held in suspense. It was hoped that the requirement of ultimate settlement, by arbitration if need be, would

induce disputants to arrange their troubles by compromise, but in many cases there has been a disposition on the part of those with a weak case to try their luck at arbitration, which, as an unknown quantity, was naturally tested eagerly at first; and it is said that concessions have been withheld in the lower court lest in the higher court they might prejudice the parties making them. Sometimes cases are conciliated in the higher court; it is not unusual, Judge Backhouse tells us in his report,[1] for the president to meet the parties to a dispute privately in conference at their request with a view to bringing them to an agreement.

Considerable light is thrown on the utility of the boards and the attitude of the public to them by some of the opinions given to Dr. V. S. Clarke when he investigated labour conditions in New Zealand for the United States Government:—

One employer and president of an employers' association said: 'I prefer to see the boards retained. They were driven out on account of the folly of one board.' Another employer of the same city: 'The boards were useful. They saved the time of the court.' The secretary of a seaman's union: 'The boards have been thrown out simply as a step toward undoing the Act. I believe in conciliation as preliminary to arbitration and compulsion. The seamen have secured more from the board than from the court.' The secretary of several unions: 'The attitude of employers to that amendment has made union men distrust the court as favourable to employers.' The president of a trades and labour council: 'We prefer the boards, because they prevent delay in getting under awards in many cases.' A labour member of Parliament: 'Voluntary settlement is

[1] Judge Backhouse reported for the Government of New South Wales on the New Zealand experiment in 1901.

better than compulsory. One bad board spoiled the whole thing. I prefer boards, with binding awards, and making appeal to the court expensive enough so it wouldn't be taken without good reason. The chairman of our board here was never called upon to cast his vote in a decision except upon the question of preference to unionists.' The *Otago Times*, one of the leading Conservative papers of the Colony, said editorially, in April 1903, that it was desirable that the boards be restored to their old position. On the other side of the question are such statements as the following:—An employer favourable to the Act: 'The law would have been better from the first without the boards. Their recommendations were sometimes hasty and ridiculous, as in the Kaiapoi case, where they drew up a piecework log covering about fifty—I think, exactly forty-eight—operations in two hours.' Another employer in the same city: 'The boards were unnecessary, and their recommendations at times absurd.' A very large employer, whose utterances in favour of the Act are often quoted: 'We don't want boards. They're useless.' A prominent secretary of several unions: 'The boards were never of any use. They disclosed evidence, and so weakened the cases of the men before the court. And they made getting an award a greater expense to the unions.' Another union secretary, and secretary of a trades and labour council: 'The recommendations of the boards were not satisfactory, because they were only binding upon the employers signing or actually cited in the case. An award could be made to bind every one, even employers going into business after the dispute had been tried.' A president of a trades and labour council: 'If the parties to a dispute were willing to agree upon a conciliatory basis they could get together without the boards. In coming before the boards we disclosed our evidence. It was sometimes as much as eleven months after an appeal before our case would get before the court. Meantime the employers could generally find some weak-kneed working-man to rebut our best evidence. And in any case it paid them to appeal, simply to be free from regulation during the interval before

the court would get around to the case.' An employer, and former member of a Conciliation Board (who, by the way, is a Massachusetts man and an American citizen): 'The employers wouldn't show their hand before the board, lest they might weaken their case if it were appealed. Neither would they make any concessions that might count against them if the dispute came before the court. The probability of an appeal put them all on the defensive, and prevented any give and take between the parties in most cases, so there was really no conciliation.' A factory inspector: 'The boards were not needed. If the Inspector can't get the parties to agree without coming before the board, the board won't be successful. The boards simply irritated a sore.' Another factory inspector: 'The boards were not satisfactory. They might have done better if composed of experts, who wouldn't have needed so much testimony in order to understand a case, but as constituted they didn't conciliate.' A former labour member of Parliament: 'The term "Boards of Conciliation" was always a misnomer, for the conciliatory spirit was always lacking—at least, so far as my observation went. The gas confined in a little room was sure to explode sooner or later, and do more harm than if it hadn't been pent up. The boards were not a success.' [1]

Generally speaking the whole scheme of legislation is warmly welcomed by the working classes, but hitherto trade has been good, and it remains to be seen what their attitude will be during a period of depression when awards begin to turn against them, and whether the Government will then be embarrassed by having assumed through a court responsibility for settling wages and conditions of employment. Judge Backhouse, who reported most favourably upon the Act as a whole, did not omit to draw some attention to this point:—

[1] Upon the efficacy of Boards see also pp. 253–4.

But while the effects of the Act so far are good, the time has not yet come when it can be said with any certainty that it is a measure which will provide for the solution of all labour troubles. Since it came into operation in New Zealand, everything has been in favour of an increase in the emoluments, and of an amelioration of the conditions of labour, and there cannot be the slightest doubt that wages would have risen if there had been no Act. New Zealand, since the Act had been in force (the original Act was passed in 1894, but the first case under it did not arise until the middle of 1896), has been advancing on an ever-increasing wave of prosperity, and that prosperity has been largely due to a favourable market for its exports, which last year amounted to 13,246,161*l.*; and it must be borne in mind that these exports are of commodities which up to the present have been in no way affected directly by the Act, such as wool, frozen mutton, Kauri-gum, etc. The market for most of the manufacturers is simply within the colony, and it is a market largely guarded for the colonial producer. . . . My hope is that depression may be far distant, but when lean years come, as come they must, unless the world's history leads us to a wrong conclusion as to the future, when there will be curtailment instead of expansion, when wages will be cut down instead of being raised by the awards—then, and not till then, can anyone speak with authority as to whether the principle involved is workable or not.[1]

The Victorian Commission which reported upon the New Zealand experiment approved it unanimously, but there is no doubt that the commission as a whole was favourably inclined to the policy exemplified by this legislation before the official investigation was begun. Besides, the investigation could not bring to light long-period effects which had not yet arisen; and, as pointed out above, trade had been unusually

[1] Quoted from Reeves' *State Experiments in Australia and New Zealand*, ii. pp. 149–50.

TABLE SHOWING THE OPINIONS OF EMPLOYERS RELATIVE TO THE NEW ZEALAND CONCILIATION AND ARBITRATION ACT.

Questions	WELLINGTON			CHRISTCHURCH			DUNEDIN			TOTAL		
	Persons Replying			Persons Replying			Persons Replying			Persons Replying		
	Yes	Qualified	No	Yes	Qualified	No	Yes	Qualified	No	Yes	Qualified	No
In your opinion was such a measure required:												
For the purpose of removing any actual difficulties existing	5	2	26	5	7	19	—	—	—	10	9	45
As a preventive of prospective evils not otherwise provided for	5	3	25	5	3	25	—	—	—	10	6	50
For any other justifiable purpose	5	3	25	2	7	19	—	—	—	7	10	44
Has the operation of the Act been, in your opinion, beneficial in:												
The promotion of good feeling between employers and employees	2	—	33	—	—	28	—	3	26	2	3	87
Increasing the efficiency or conscientiousness of workmen	—	—	34	—	—	28	—	1	27	—	1	89
Increasing the general prosperity	1	5	28	—	—	28	—	6	20	1	11	76
In your opinion has the Act been productive of evils in:												
Creating disputes between employers and employees	31	3	1	36	—	1	29	—	—	96	3	2
Causing loss or waste of time of employers and employees during the hearing of such dispute	31	3	1	30	—	1	22	2	2	83	5	4
Causing interference with employers in the control of their business	31	2	2	29	—	1	26	2	—	86	4	3
Limiting the development and lessening the operations of trade and manufacture	31	2	2	29	—	1	20	3	1	80	5	4
Increasing the expenses of business without increasing the volume of profit thereof	32	2	—	29	1	1	23	1	—	84	4	1
Discouraging or preventing the investment of capital in industries	32	2	—	29	—	2	27	—	—	88	2	2

good in New Zealand for some time before inquiries were made. As to the attitude of employers in New Zealand no better evidence can be adduced than the answers to interrogations circulated among their members by the employers' associations in Wellington, Christchurch, and Dunedin, which are exhibited in the table on page 247 put forward by Dr. Clarke. Similar questions circulated in Auckland, and others sent out by the Otago Employers' Association, evoked on the whole similar responses.

The low cost of the administration of the Act in New Zealand is astonishing; in 1901 the Conciliation Boards cost 1,811*l.*, of which 1,090*l.* was attributed to the Wellington Board alone, and the Arbitration Court cost only 1,659*l.*

We may now summarise what some have regarded as a first logical outcome of the New Zealand legislation—that is, the industrial arbitration now in operation in New South Wales. At first Acts encouraging voluntary resort to arbitration and conciliation were tried. Bills were introduced in 1882 and 1887, but the first law was not enacted till 1892, and this lapsed after four years. Another took its place in 1899. Little use was made of these measures. In 1901 Mr. Wise's Compulsory Arbitration Bill became law: it is a temporary measure continuing in force till 1908. It was amended in 1905, and other amendment Bills have been brought forward. One of these in 1905 proposed the creation of wages boards. It seems, indeed, as if the wages boards were fated to displace other methods of settling wages in the Australasian Colonies, for a time at least.

All disputes determined under the Act are to be settled by a single court, which must deliver final judgment—there are no Boards of Conciliation established by the Act as in New Zealand. The court consists of a president who must be a judge of the Supreme Court, and two members appointed every three years by the governor on the recommendation of the industrial unions of employers and employed. Under the Temporary Court Act, 1905, a judge of district courts may act temporarily as president on nomination of the governor, and a deputy president may be appointed also. Collective bargaining between employers and employed outside the court is permissible, and agreements, if registered, may have the binding effect of awards. Agreements may not be made compulsorily current for more than three years. After the lapse of the period for which they are registered they remain in force until a month after notice given by either party to annul them. Employees must be organised, though employers are not compelled to be, on the ground that an employer is a union in himself. Any trade union may be brought into court, but only if it registers can its members vote in the election of the labour assessor of the court. Only trade unions can register under Mr. Wise's Act as industrial unions; in New Zealand any body of workpeople can so register. Employers are also encouraged to register; even a single employer may register himself. Strikes and lock-outs during arbitration proceedings, or before reasonable time has been given after a dispute for a case to be submitted to arbitration, are offences punishable by a fine, which must not exceed 1,000*l.*, or by imprisonment for two

months. Breaches of awards are punishable by fines, and liability to a fine is incurred by any employer who dismisses a hand because he is a unionist. The court may compel the production of books, but the court only may inspect them, and evidence as to trade secrets and profits must be taken *in camera* if the affected parties so desire. Technical experts may be appointed to assist the court, if need arises, as in New Zealand—one must be selected from employers and the other from employees. Awards may be made to cover employers or operatives who were not parties to the suit, or an award may be made to hold of some defined area, or a common rule for the colony may be declared, and when a general award is decreed exceptions may be allowed. The declared currency of an award must not exceed three years, and every award holds until it is appealed against. Any industrial union—which may be a single employer—may set the law in motion, or the registrar when the parties to the dispute, or some or one of them, are or is not an industrial union.

The 'industrial matters' falling within the jurisdiction of the court have a very wide application. It is expressly authorised to fix a minimum wage and slow-worker rate, grant compulsory preference to unionists, grant injunctions to prevent a violation of an award, expel members from unions, and dissolve unions by ordering a cancellation of their registration (but this power is clouded by technical uncertainties arising out of the wording of the Act at present).

Much dispute has arisen over the preference to unionists. It was agreed to in the case of twenty-eight of the industrial agreements filed with the

registrar, omitted from twenty-one, and refused in three cases. The president of the court has recently laid down the following valuable principle upon the matter: 'That, as far as possible, the same results must be given in the award as would have been arrived at by the parties themselves.' One union tried to close its books after securing preference, with the object of monopolising a trade, but it was ordered not to refuse membership to suitable people. The unions are most anxious to secure preference. They argue that it is their right, as they are no longer allowed to strike, and that without it there is practically preference for non-unionists in many workshops. The boycott of trade-union officials is persistently alleged. Further the decay of unionism otherwise is foretold: to the correctness of this prophecy, however, official statistics lend no support.[1]

Some disagreement has taken place also over the interpretation to be placed on 'minimum wage.' The same expression occurs in the Act under which Western Australia is following the lead of New Zealand, and the president of the court there has taken a strong line in reading it as a real minimum below the average, but he stands almost alone. In New South Wales it means 'standard wage.' Upon this point it is instructive to read a passage in the report of the Victorian Commissioners of 1903 who were favourable to compulsory arbitration. Referring to New South Wales they say: 'The marked tendency to reduce the efficient worker to the minimum wage is everywhere visible, and employers are emphatic in

[1] Upon the question of preference to trade unionists in New Zealand and other parts of Australia, see pp. 237–40, 254, 256.

declaring that while they could, and did, pay a good tailoress 30*s*. a week, good as well as indifferent workers had now to receive the all-round wage of 20*s*. If, they put it, they are forced by law to pay too much to some of their employees, they must, in self-defence, in order to keep working expenses within reasonable bounds, pay less to others than they deserve.' Further, it is complained that the attainment of uniformity in wages is causing a dead level of workmanship.

These are not the only grounds of dissatisfaction, apart from the fundamental objection to the settlement of 'industrial matters' by a court at all. In one recent case the workers sought to prevent 'excessive' division of labour in manufacture, upon the plea that it 'reduces the standard of the worker so that when he is thrown on his own resources he cannot earn his living as a mechanic.' They actually succeeded, and the result has been a rise in the cost of production. Another award trespasses on the employer's power of choosing operatives. It declared that hands must be dismissed on the 'last come, first go' principle. This protects the elder hands, but it is hardly defensible as a general principle. Great complaint is made of congestion of business in New South Wales as in New Zealand. The secretary of one union said to Dr. Clarke: 'We filed application for an award in December 1903, and now (June 1904) there are still forty-eight cases ahead of us.' Much less fault is found on this score in Western Australia.

There is no doubt that the bulk of employers do not like the New South Wales Act, though some favour it. Many think that disputes have increased, though strikes are generally stopped, and that methods

of production are rendered unprogressive. The operative classes as a whole welcome it, but to some extent, it is said, as a political triumph. One labour leader, however, has declared that under it working-men are sold 'like bullocks at Smithfield.' The secretary of a typographical union said: 'While I favour arbitration, the Act deprives us of our virility as a union. We are imposed upon in cases where it would not happen if we could strike. When we have a case, we get "blue-mouldy" before it comes off.' The secretary of one of the oldest and strongest unions in Sydney said: 'I never was in favour of the Arbitration Act. I look at it from the point of view of a union that got all it wanted without the Act. It is a good thing for unorganised workmen and weak and poorly organised unions; but the well-organised trade unions are worse off than before the law was made.' [1]

Western Australia was really the pioneer in Australia in imitating the example of New Zealand. Her Act of 1900 was modelled on that of New Zealand. This was replaced in 1902, largely because its application could be avoided by trade unions if they neglected to register, as many did. Even the Act of 1902 provided for Conciliation Boards despite their omission in the meantime from the New South Wales Act of 1901. The registrar, however, in his report, dated 1904, on its working, says: 'The Act would be much simplified, and the settlement of industrial disputes would not be retarded, if this section and all other provisions relating to Boards of Conciliation were omitted. . . . The chief reasons for the avoidance of the boards are (1) the want of finality

[1] Quoted from Dr. Clarke's *Labour Conditions in Australia.*

attaching to their recommendations, and (2) the fact that their recommendations affect only the parties to the dispute and not (as in the court's award) other persons in the industry in the locality. It is further found, on examining the reports of proceedings, that nearly all the cases heard by the boards have been reheard by the court, on the reference in each case of the party dissatisfied with the board's decision.' Of the 131 industrial disputes heard in the State in 1902 and 1903, 108 were referred directly to the court, and of the twenty-four cases that came before the boards sixteen were subsequently taken to the court on appeal. Dr. Clarke did not meet with a single person by whom the retention of the boards was recommended when he was making his inquiries.[1] The law is being interpreted as not permitting of the concession of preference of employment to unionists, though it is ambiguous. The president's rigid interpretation of minimum wage has already been mentioned; it is causing much dissatisfaction in the ranks of labour. Into further details as regards Western Australia it seems unnecessary to enter. Economic conditions there are even more remote from ours than those of New South Wales. It must be mentioned, however, that employers are more favourably disposed to compulsory arbitration in Western Australia than in New South Wales.

Belief in the State regulation of disputes, or of labour conditions generally, has spread rapidly throughout the Australasian colonies. In December 1904 a Federal Arbitration Bill became law after the matter

[1] *I.e.* in Australia. Upon the efficacy of boards in New Zealand, see pp. 241–5.

had been debated for two years and had destroyed two ministries. It embodies elements from all three leading Acts now in force in Australia. It continues the principle of absolutely prohibiting strikes and lock-outs, but under it no doubt, as under the other Acts, what are in effect strikes and lock-outs will occur to some extent. The court is to consist of a single judge of the Supreme Court of the Commonwealth, appointed by the governor-general. This is a new departure. Under the State Acts the court contained representatives of operatives and employers. The court is charged with the duty 'at all times by all lawful ways and means to reconcile the parties to industrial disputes, and to prevent and settle industrial disputes, whether or not the court has cognisance of them, in all cases in which it appears to him that his mediation is desirable in the public interest.' The court has cognisance in its judicial capacity of any dispute referred to it by the registrar of the court, by an organisation of employers or employees registered under the Act, or by any State industrial authority. The status of individual employers appears to be doubtful in respect of the right to register. The court may refer the questions in dispute to a conciliation committee or to a trial board, which may be any State industrial authority, or a special body consisting of an equal number of representatives of employers and employees, and a chairman who shall be a judge of the High Court or the Supreme Court of a State. A Federal award supersedes any conflicting State award, or wage board determination, or order of a State authority. Security not exceeding 200*l.* for the faithful observance of an

award may be required. Preference to unionists may be granted, but not unless 'the application for such preference is, in the opinion of the court, approved by a majority of those affected by the award who have interests in common with the applicants.' Nor may it be granted to any union 'so long as its rules or other binding decisions permit the application of its funds to political purposes, or require its members to do anything of a political character.'

The respective spheres of State courts and the Federal court have yet to be settled in detail. The decision seems to rest formally with the registrar as to when a dispute becomes inter-State. However, it would seem that it is intended at present to confine strictly the scope of the Federal law. It is too early yet to speak of the working of the new Act.

In the account above we have made considerable use of Dr. Clarke's report on *Labour Conditions in Australia* to the American Government. Dr. Clarke shows himself sympathetic, but a keen critic, and weight will naturally be attached to his judgment as an impartial and instructed observer. At the close of his work he writes: 'No one in Australia soberly proposes to go back to strikes. The people have struck a lead in their arbitration laws that they intend to follow out to a final issue. They may amend, but they show no disposition to repeal them. . . . The Australian laws have taken root, and while no man can predict with certainty their future, and a popular reaction may possibly cause their repeal, every tendency at present observable in the country points the other way. They doubtless will be greatly modified by future amendments. They may not

always be administered by those in sympathy with labour, but their central principle, compulsory State intervention to adjudicate serious industrial disputes, promises to persist.' We wonder whether it will be so. We should expect mutual arrangements made by joint committees to become the rule in the settlement of disagreements, and, in cases in which this method failed, conciliation insensibly to supersede arbitration, the latter being retained only for special circumstances.

All Australasian State experiments with the labour question, however wide apart their beginnings, seem at present to be converging upon the same goal, which Mr. Reeves has not hesitated to define boldly. 'Let me once more emphasise,' he writes, 'that if the New South Wales and West Australian Acts succeed, and the New Zealand Act continues to succeed, these will, as a matter of course, have far deeper and wider effects on industry than the mere substitution of arbitration for industrial war. Their success will mean State regulation.'[1] New Zealand and her imitators began with the primary object of limiting strikes; Victoria began with the sole or chief intention of suppressing sweating; but to-day the two schemes find themselves distinguishable in form more than in fact. 'Starting quite apart, and approaching their undertaking on different lines, they are in many respects doing the same work.'[2]

The Victorians entered upon their reforms in 1896

[1] *State Experiments in Australia and New Zealand*, by W. P. Reeves, ii. p. 172.

[2] *Ibid.* p. 175.

by regulating six sweated urban trades. Six boards were set up to fix minimum wages and settle the numbers of apprentices and improvers; five consisted of elected and one of nominated members. The last related to the furniture trade, and was nominated because of the prevalence of the Chinese in this industry. Each of the others contained five representatives of employers, five of operatives, and a chairman. In 1900 the system was extended by the addition of other boards, and by power being vested in the governor in council to appoint boards in any other industries to settle minimum pay and maximum hours, on receiving a resolution from either House of Parliament. There are now (1905) in consequence thirty-eight boards in Victoria. The boards may now take evidence on oath and a Court of Industrial Appeal for dealing with objections to their decisions has been instituted. South Australia followed the lead of Victoria in 1900. Under the laws of both States, as they stand at present, permissions may be granted to the less efficient hands to work for less than the minimum wage allowed.

The fundamental differences between the minimum wages laws and compulsory arbitration laws are as follows:—1. The scope of the former is not so wide as that of the latter in respect of the matters that may be dealt with. 2. Strikes for wages higher than the declared minimum are allowed under the former, as well as strikes upon all points not determined by the boards. 3. Wages boards must regulate the industries with which they are respectively concerned, whereas, under the arbitration laws, an

industry may regulate itself without any case coming before the arbitration tribunal. Incidentally, we may notice that there is this advantage in the system of New Zealand and New South Wales, that, cases for settlement being carefully prepared by the interested parties, some guarantee exists that all relevant facts will be adduced before decisions are arrived at. The wages boards are constituted on the analogy of legislative bodies, whereas arbitration courts exercise judicial functions. Violations of decisions of the former are dealt with by the ordinary courts.

It is not easy at present to determine inductively the effects of the general enactment of 'minimum' wages. Collusive disobedience counteracted some of the boards' efforts, especially in the furniture trades, where the Chinese appear to have triumphantly outwitted the law. Now collusion is struck at by the law of 1903, a worker who has received less than the minimum wage, even by consent, being empowered to recover the balance. There is no doubt that sweating in the regulated trades has been greatly reduced, but so far no proof has been forthcoming that it has not been intensified in other callings. There is some warrant, indeed, for the suspicion that it has, in the fact that restriction of certain trades by apprenticeship regulations is being aimed at, and also in the fact that the level of competency in the regulated trades has been raised through the dismissal of the less competent. It is certain that many of the boards are aiming at forcing general wages up instead of preventing an unreasonable minimum from being paid; that they are trying to settle the general

wages rate according to the requirements of their industries. Their function, in short, is tending to be transformed into that of the New Zealand arbitration tribunals, as regards matters of wages. In so far as this metamorphosis takes place, they will fail as safeguards against sweating; the underpaid residuum may even be overcrowded further and underpaid the more in consequence. Further, there is some evidence that in certain trades as the minimum is forced up it tends to become the maximum also—a sort of State-sanctioned maximum, moreover, which is hard to resist. The raising of wages in the regulated trades, we are informed, has hastened the adoption of machinery and labour-saving methods; and this is wholly to the good in the long run. But it is not very hopeful reading that the Commission which investigated the working of the Victorian system recommended early in 1903 that a clean sweep should be made of the whole scheme of wages boards, and that an Act, modelled on that of New Zealand, should be adopted in its stead. It must be noted, when the significance of the Victorian experiment is being estimated, that only about 40,000 hands fall under the jurisdiction of the wages boards. Generally employers take the view that the effect of the Acts has been detrimental, but some still support them.[1]

The fundamental objection to the settlement of wages by external authority is easily formulated.

[1] The system of wages boards has been vigorously assailed by Mr. G. W. Gough in the *Economic Journal* for Sept. 1905. See also Dr. Clarke's report to the United States Government on labour conditions in Australia.

New needs are constantly arising; and it is partly by the spontaneous emergence of new needs, changes in the proportions of needs, and the satisfaction of new demands, that society progresses. It will not be inferred from this statement, of course, that caprice and vacillation in demand are good. It is to the immediate gain of the community that production should react speedily upon the fresh calls made upon it (assuming their worth), since thereby the most satisfaction is elicited from a given quantity of producing power. Further, it is to the ultimate advantage of the community that this rapid response of society on its productive side to society on its consumption side should be forthcoming, since thereby imagination is quickened and the way is laid open for further progress. By the satisfaction of old wants scope is given for the expression of new wants. Progress does not mean merely change of wants, apart from the character of the change, but change is so essential as to be a presupposition of progress. The general disappointment of aspirations saps social vitality. Again, a great economy results from international specialism following the divisions marked out by national differential advantages for the production of certain goods. These relative advantages are variable, and therefore the industries of a country with much foreign trade will wax and wane relatively if the best results are to be procured from its productive power.

Now rapid alterations in the industrial field, in response to the varying circumstances that we have outlined, can be secured only if public demand is transferred direct to capital and labour through the

medium of the employers' demand for them. If it is, the industry that should contract naturally contracts because it offers small profits and wages below the normal level, while the business that should expand naturally expands on account of its exceptional remunerativeness to all factors which engage in it. Once unlink the existing close connections between public demand and wages, and a large proportion of the nation's productive power will be regularly misapplied, unless or until settlement at comparative stagnation is induced. Moreover, the best will not be made of the aptitudes and tastes of the individuals of whom society is composed. Men will be kept working at trade A at a wage, say, of 2*l.* a week, who would gladly have transferred themselves to trade B for a wage of 36*s.* (at which price they could have been employed, let us suppose, at trade B), had they been allowed, and would have been the gainers from so doing. No arbitrator can in the nature of things possess sufficient knowledge of the demand for and supply prices of labour to enable him to declare the relative wages that are best in the long run for the community as a whole. The chances are that in many of the awards serious mistakes will be made; after some time, it is true, the awards are revised, but it is then too late for all the damage inflicted to be repaired, and there is again no surety that the errors will be corrected. This is no plea for stringent *laisser faire*: State intervention in the interests of life and health, and combinations to render more effective the bargaining power of labour and the demand of labour for pleasant conditions, are quite different in principle from the sur-

render to courts, which can never have before them the data to enable them to do the right thing, the settlement of relative remunerations as between the numerous classes of labour and other factors in production. To use an analogy, the problem is to deduce from a person's constitution how much food he should take each week for the next six months. Who shall say? For who shall deduce from the parts of the organism their joint needs now and for the next few months? Fortunately, nature solves the riddle by giving to such organisms appetite. In the social organism the analogous regulator is to be found in individual demands.

There are two further dangers. The one is that, though some State action may give scope to individual initiative—by which we advance—another kind of State action may weaken it. The other danger arises from the fact that distribution is so linked to production that complexity in the one necessitates complexity in the other. If society is incapable of assuming a more intricate system of distribution, further complication for the improved economic working of the productive system is retarded. Industrialism is relatively simple in form and limited in extent in the Australasian Colonies. Agriculture is the chief occupation, and this being untouched by the arbitration laws is a vent for any labour or capital driven out of the industries. Hence the settlement of wages by boards with power may not very seriously diminish prosperity. But it would in a country with more involved productive arrangements, where the loophole of escape from onerous decisions was less adequate. Progress would be

impeded until the artificial system was repudiated, and the old lesson that had been forgotten of the self-settlement of wages under simple conditions had been learnt afresh. Besides, lastly, there is the unwholesomely close association between politics and self-interest. What would be the state of democracy in the next generation if wage-earners regarded the government as one of the chief arbiters of wages, as they might easily do when, according to their experiences, wages had been settled, as a rule at least if not invariably, in a Court, State instituted and State supported, the awards of which were enforced by the State?

There do not appear to be any immediate prospects of the Australasian plans being adopted elsewhere, though, as we have noticed, a proposal was brought forward by M. Millerand a short time ago, in which the settlement of disputes by the enforceable awards of Arbitration Courts, on the reference of either party or the initiative of the Government, was involved. In England there is no strong party which supports this line of policy. The Trade Union Congress has repeatedly rejected it—in 1906 by a majority of 397,000 on a vote by card of 1,479,000. All parties in the United States agree generally in their disapproval of compulsory arbitration, except, perhaps, when an impasse is created, as in the recent coal strike, which may render strong intervention highly desirable, and in special industries, such as transportation, a temporary cessation of which would be a grave national calamity. Pennsylvania alone goes so far as to give either party to a labour dispute the

right to compel an appeal to arbitration. But its law is a dead letter. This State, moreover, makes the decision of the board binding. Other States (namely, California, Colorado, Idaho, Illinois, Louisiana, Montana, Minnesota, Ohio, Utah, Wisconsin, New Jersey, Michigan, Connecticut and Indiana), following the example set by New York and Massachusetts in 1886, have provided facilities for voluntary resort to arbitration or conciliation by establishing State boards, which usually consist of three members, one an employer, one an employee (who, as a rule, is appointed on the recommendation of labour organisations), and one of neither class. If both parties submit to arbitration, the decision may, as a rule, be made binding for a period. Usually, again, if a board act on the appeal of one party, or on its own initiative, though it may not declare a binding award, it may conciliate and investigate—for the latter purpose it is, commonly, invested with moderately extensive authority—and, if it please, publish the results of its investigation. In some States local mayors, judges, or other public officials, are required to report at once to the Central Conciliation Board any industrial disagreements of which they hear. In most of the enumerated States the formation of local boards is permitted, with powers similar to those of the State boards. Six States—namely, Pennsylvania, Maryland, Iowa, Kansas, Texas, and Missouri—though possessing no State boards, have laws authorising the creation of either temporary or permanent local and trade boards of arbitration : but, on the whole, these laws are rarely carried into effect, and it is only in Massachusetts, New York, Ohio, Indiana, Illinois, and Wisconsin (all

important manufacturing States) that State boards have done any appreciable work. 'The inactivity of boards in some of the States is partly explicable by the relative absence of industrial development and of labour disputes. In other cases it is due to the lack of an adequate sentiment in favour of peaceful methods of settling differences on the part of employers, employees, and the general public.'[1] As to the work done by the State boards the Industrial Commission generalises thus :—

> The work of State boards of arbitration consists in practice almost entirely of mediation and conciliation, of informally conferring with the parties to disputes, and influencing them to reach an amicable agreement between themselves. Very rarely are matters submitted to formal arbitration. Moreover in most cases the intervention of the State board takes place on its own initiative without application of the parties, while in nearly all the remaining instances, the application comes from one party only. It follows that the board usually can take steps towards mediation only after a strike or lock-out has actually begun, since it cannot ordinarily secure information as to the existence of a difference prior to open cessation of employment. This is obviously a chief point in which the situation of State boards differs from that of trade boards of conciliation and arbitration.
>
> These limitations in the work of State boards are to a considerable degree inherent. They can never fill entirely such a place as is filled by boards established within the trades themselves, which represent the employers and the employees directly, which are familiarly known to them, and which are constantly and immediately at hand. . . .[2] The work of State boards must therefore be confined chiefly to disputes in trades where no systematic methods of collective

[1] *Final Report of the American Industrial Commission*, xix. p. 851.
[2] *Ibid.* pp. 851–2.

bargaining and of trade conciliation and arbitration exist. In these trades too often the very spirit which makes conciliation possible is lacking, as well as knowledge of the advantages of peaceful methods of settling disputes, consequently disputants are not disposed to appeal to the board before cessation of employment, with its attendant bitterness, has taken place, nor are they always likely to give a very cordial welcome to the board when it mediates on its own initiative.[1]

Details of the work done by the oldest and most active of the American State boards, those of New York and Massachusetts, will be found in the Appendix to this Chapter.

In addition to the State boards and district boards some mention should be made of the applications for conciliation frequently addressed to State Commissioners of Labour, whose services are still used in three States for this purpose, judges or justices of the peace, who sometimes thereupon appoint committees, and the methods adopted in inter-State undertakings. In the last case the President of the inter-State Commerce Commission and the Federal Commissioner of Labour are required to perform the office of mediator. Of the work of the Civic Association a full account will be offered presently.

The notion of compulsory arbitration is not popular in the United States. Against it the Industrial Commission unhesitatingly set its face. 'Working-men themselves,' it reports, 'are bitterly opposed to general compulsory arbitration; one of the chief grounds of opposition is that no man should be compelled to work against his will';[2] and again, 'the sentiment

[1] *Final Report of the American Industrial Commission*, xix. p. 852.
[2] *Ibid.* p. 857.

of both employers and employees in the United States is almost universally opposed to compulsory arbitration as a general method of settling labour disputes.'[1] The commission, however, gives more countenance to the compulsory reference of disputes to conciliation before strikes may be legally entered upon in industries the temporary cessation of which would be a grave public calamity, though admitting the great difficulty of putting any law upon this point into satisfactory operation. It even showed itself not altogether unprepared to acquiesce in the opinion, to which, however, it did not commit itself, that it would be wise to prohibit strikes altogether in such industries. The industries in question are certain quasi-public services, the performance of which affects the public weal in an unusual degree; for instance, the railway service. A successful strike of all railway men which put a stoppage to transportation would create local famines and a national shock from which recovery might be slow.

If the right of striking in such public services were denied or strictly curtailed, persons engaging in them would need to be paid a wage somewhat above the normal and accorded uncommonly favourable conditions of employment as compensation. But though the suggested differential treatment of workers in certain peculiar industries is theoretically defensible, it would seem to be a somewhat tactless policy to legislate accordingly, if the possible dangers had never actually been present and the prospects of their appearing were, as far as could be judged, remote. Further the industrial commission refused

[1] *Final Report of the American Industrial Commission*, xix. p. 861.

to assume the responsibility of advising or rejecting as undesirable the proposal that where in other trades 'a strike has become so prolonged and bitter as to threaten lives and property, the Government should intervene and compel arbitration,' but they wisely laid it down that, should compulsory arbitration be deemed advantageous, in either of the two cases named above, it would be 'best first to exhaust every resource for the settlement of the dispute within the trade concerned.'

The commission looked with more favour on the suggestion that State boards should be empowered to compel disputants and witnesses to come before it and give evidence on all relevant matters, and suggested as a subsidiary advantage that the bringing of the disputants into conference might cause amicable settlements to be effected.[1] 'To such a proposed extension of the powers of investigation of State boards it is objected that undue publicity of private business affairs might result. While, however, proper discretion should be exercised in making details public, the serious effect of prolonged industrial disputes upon the public welfare may justify a certain degree of inquisitorial investigation, especially as to some classes of disputes, such as those affecting quasi-public industries, or those involving large numbers of persons, or those resulting in violence or other serious public injury.'[2] A similar recommendation was made by the Trade Union Congress of the United Kingdom in 1903.[3]

[1] A further account of the methods of settling disputes recommended or adopted in the United States will be found on pp. 270 *et seq.*

[2] *Final Report of American Industrial Commission*, 1902, pp. 854–5.

[3] It ran:—'That in the opinion of this Congress, a court shall be formed, which shall have power to call compulsorily for evidence in any

What is proposed is something akin to the Massachusetts Railway Commission, which enjoys no power of making orders, but conducts investigations and reports and so leads public opinion and prepares the way for legislation if it should prove necessary.

To complete this brief sketch of prevailing American notions in the matter of the methods of industrial peace, a short account must be given of the now famous National Civic Association into which the Civic Federation of Chicago for the advancement and provision of conciliation was transformed in 1900 after six years of active work.[1] It provides conciliators or boards of conciliation and approaches disputants, when they do not approach it, with offers of mediation. In the last resort it advises arbitration, but only in the last resort. All of the Mosley Commission who were present at the discussion on the Civic Federation at New York signed the following document approving its work :—

In the course of our travels and investigations in the United States the excellent results achieved by the National

dispute where the parties have not agreed to settlement within one month of the duration of a strike or lock-out. Either side of the disputants, or a public governing authority, shall have power to call for an investigation and shall issue a public report, the latter only to be issued on the ground of disagreement between the parties concerned. The court to be constituted by equal numbers of employers and trade union representatives, and to be presided over by a chairman mutually agreed upon, or, failing agreement, the Board of Trade to appoint one under powers of the present Act. The court shall be moveable and shall have power to call for special commissions of investigation and report. This commission to be subsidiary to the central court of conciliation, but shall, if the parties affected agree to report and accept decision of the same, settle the dispute. The subsidiary courts shall be representative of the industries affected. That the Parliamentary Committee draft a bill for the purposes aforesaid.'

[1] See report of the Conference in 1901 (G. P. Putnam's Sons).

Civic Federation of America have been brought to our notice, the Federation having been successful, among other things, in bringing capital and labour into closer touch, thus providing a practical solution of many of the difficulties and vexed questions that arise between the two.

One of the most important features of the Federation is the section whose duty it is to get information of the first sign of impending trouble, and in the earlier stages of a dispute to step in for the purpose of bringing the contending parties together at a round table conference before any breach has actually taken place, and before either side has assumed a position from which it can recede only with difficulty; and in our opinion, it would be of benefit to both workers and employers were some similar organisation brought into being in Great Britain.

In expressing this view we do not desire in any way to interfere with the bodies which already exist for mediation and conciliation in the Boards of Trade, Chambers of Commerce, Trade Conciliation Boards, &c., or agreements between employers' associations and workmen's organisations, but, if possible, to establish a further means, not so much for the adjustment of troubles after they have arisen, as for their prevention.

As representatives of our respective trade unions, it will be our duty on our return to our own country to place before our members the objects of this branch of the work of the Civic Federation, and we also hope to have the co-operation of other trade organisations, large and small, throughout the United Kingdom.[1]

The Civic Association, needless to say, has not been without its critics and opponents. Thus President Baer, of the Philadelphia and Reading Railroad, has pronounced that it is based on 'the delusive and impracticable idea that this stupendous problem can be adjusted to the satisfaction of all by a Board of

[1] *Report of Mosley Commission*, p. 11.

Conciliation, not selected by the parties in interest, but created by the Civic Federation—a self-constituted Witenagemote—a court without jurisdiction and without a sheriff to enforce its judgments.'[1] Many, however, and probably the great majority, of the members of the Civic Association are fully alive to its imperfections. It exists with its defects because the more perfect instrument for the peaceful settlement of disputes—that is the joint wages board—is so little developed in the United States, and one of its chief aims is to bring about as a permanent organisation in each industry the institution which will render its good offices superfluous. The Civic Association is certainly more requisite in the United States than in England, since in the former country at present there are fewer agencies for conciliation. Mediation after a strike has broken out, it should be emphasised, is of less value than a system which anticipates the outbreak, for once conflict has begun there is on each side a 'pride ashamed to yield, an obstinacy delighting to contend.' That upon the question as a whole of the methods of settling and preventing disputes, instructed opinion in the United States is running pretty much on the same lines as in England, witness again the following passage with which the report of the Industrial Commission on Arbitration and Conciliation is introduced:—

Conciliation and arbitration go hand in hand with collective bargaining. If the general conditions of labour are dictated by the employer without consulting his men, or if they are dictated by strong labour organisations, there is

[1] Quoted from an article in the *North American Review*, clxxv. 1902, p. 95.

little room for arbitration and conciliation. Where, however, employers and employees are accustomed, whether formally or informally, whether occasionally or at regular intervals, to discuss in friendly conference the general terms of the labour contest, a spirit is developed which makes it likely that individual employers and their employees will also discuss in a conciliatory fashion minor differences as to the interpretation of that contract, or will be willing to submit these differences to the decision of arbitrators. In most cases a satisfactory settlement of such minor differences may be brought about by the parties themselves if once they are discussed in an amicable manner. If this proves impossible, it is highly desirable that appeal should be made first, not to those wholly outside the trade, but to a board composed of an equal number of representatives of employers and employees, who, while themselves not directly concerned, and therefore largely free from the bias and personal feeling which may exist between the disputants, are yet thoroughly familiar with the trade conditions, and probably personally acquainted with the parties to the dispute. Trade boards of conciliation and arbitration have, therefore, an exceedingly important place. In the great majority of cases this work is and should be that of mediation and conciliation rather than of authoritative decision. Misunderstandings, which are so often the only source of industrial disputes, can usually be removed by friendly discussion between the parties and the members of the board, while even more serious matters of difference can often be settled by mutual agreement in this informal manner.[1]

The experience of no country has been more instructive than that of England in the matter of the prevention and settlement of disputes. We propose, therefore, to trace its main features before examining the present state of affairs which is the

[1] *Report of Industrial Commission*, xix. pp. 847–8.

logical outcome of lessons learnt in the past. By the Act 20 Geo. II. c. 19, summary jurisdiction had been given to justices in cases of disputes between masters and servants when the term of hiring was a year or more, and this Act was extended by 31 Geo. II. c. 11 to agricultural labourers engaged for less than a year. But the first Arbitration Act proper, which applied only to cotton weavers—the so-called Cotton Weavers Act—was passed in 1800. Though it was declared to have application 'where the masters and workmen cannot agree respecting the price or prices to be paid for work done, *or to be done*,' the justices, and afterwards the Government by the amending Act of 1804, held that no actions could be brought under it except such as related to the interpretation of agreements. The law of 1804 was set aside by the Act 5 Geo. IV. c. 96, which remained in force, after suffering amendment in the seventh year of William IV., the first of Victoria, and twice in the eighth and ninth of Victoria, until the adoption of 59 & 60 Vict. c. 30. It was passed in consequence of the recommendation of the Committee of 1824 that the laws which regulated and directed arbitration should be consolidated, amended, and made applicable to all trades. The application of the Act, however, was limited to certain trades, and disputes arising out of agreements written or implied. As might almost be inferred from the spirit of the times, justices of the peace were to be referees, or to appoint referees, and no boards were constituted. A new agreement as to rates of wages could only be determined on both parties agreeing to arbitration upon the point, but in the event of their doing so the

award could be enforced at law. The Act, it would seem, was practically a dead letter, for reasons which are not difficult to fathom. Operatives disliked going before the magistrates. Moreover, the referee was not appointed until after the case had been brought forward, and neither operatives nor employers were inclined voluntarily to take the risk of leaving matters affecting their interests wholly in the hands of a judge whose identity was hidden until the irrevocable decision to appeal to him had been formed. Further, all wages were frequently withheld until the affair in dispute was settled; the operatives distrusted the magistrates as a class and were becoming more self-reliant; and employers on the whole were quite competent to protect their own interests, and had little confidence in the Act.

No further legislative action with reference to arbitration was taken until reformers were incited to fresh efforts by the successful work done in the early sixties at Nottingham and Wolverhampton, with which the names of Mr. Mundella and Sir Rupert Kettle respectively are associated. The Board of Arbitration and Conciliation for the hosiery and glove trade was created in 1860; it consisted of eleven representatives of the masters and eleven of the operatives, elected annually. Shortly after its formation decisions were arrived at by general agreement only, and not by vote, though later it was arranged that a referee might be appointed when the board failed to come to a decision. For twenty years it did yeoman service. The Wolverhampton Board of Conciliation and Arbitration, instituted in 1864, related to the building trades. The arrangement for

conciliation in addition to arbitration was the result of an afterthought when an Arbitration Board had already been formed. The conciliators were to be two, one appointed by the employers and one by the men. The Board of Arbitration consisted of twelve, six elected by each side, and a permanent chairman, who for many years was Mr. (afterwards Sir) Rupert Kettle. In the Wolverhampton scheme provision was included for the enforcement of awards by the powers given in the Act 5 Geo. IV. ch. 96.

Encouraged by the successes which attended the pursuit of industrial peace at Nottingham and Wolverhampton, the legislature made another attempt to extend methods of arbitration and conciliation and drafted the Act of 1867. This measure provided that boards, if constituted in a certain manner, might obtain by license the powers to enforce their awards created under the Act of 1824. Decisions could be demanded in the case of disagreements arising out of existing contracts, but in other cases the consent of both parties was required before a dispute could be submitted to the board. Not a single application for a license was received, however. One cause of the failure of the Act was dislike of compulsion and another the restrictive regulations as to the constitution of the boards. The Act which followed five years later, and was aimed primarily at securing recourse to arbitration before industrial war broke out, was disregarded also, partly, it is said, because it was 'too vague and did not contemplate existing bodies.' No doubt these plans proved abortive largely because of a general failure among the promoters of methods of industrial peace to realise

that they were to be founded upon trade unionism and not substituted for it. Meanwhile schemes on a purely voluntary basis were being tried. One after another trade boards variously constituted, in the form of ordinary joint-committees or sliding-scale committees,[1] were established in rapid succession, with the result that the temper of employers and of organised labour and public opinion were fully prepared by the last decade of the nineteenth century to welcome the State encouragement of conciliation and arbitration. Bills began to be brought forward in 1893, and in 1894 the Labour Commission issued the weighty report from which we shall now proceed to quote extensively, since its recommendations have lost nothing of their original value. First reviewing what had been accomplished, the Labour Commission pointed out that voluntary joint boards were achieving excellent results, that of recent years other institutions had been formed for the purpose of conciliation, or, more strictly speaking, of mediation, which were not confined to any particular trade, but intended to bring about a pacific adjustment of relations in any industry within certain local limits, and continued:—

These boards of conciliation, which now exist in London[2] and in many other important industrial centres, have usually

[1] For an account of the sliding-scales tried see Professor Smart's essay on the question in his Collection of Essays, the appendix on the subject in Webb's *History of Trade Unionism*, and Ashley's *Adjustment of Wages*. A sketch of the experiences of this period will be found in Knoop's work already referred to, together with a list of authorities.

[2] The London Labour Conciliation and Arbitration Board, it may be added here, was established in 1890, partially in consequence of the dock labourers' strike of 1889. It is representative of employers and employees. Twelve of the latter are returned as representatives of London

been formed by co-operation between local chambers of commerce and trade councils. They seem to have worked with considerable success, and to be especially serviceable where there are numerous small industries rather than one large staple trade, and in settling disputes where neither employers nor workmen are organised. Boards of this kind are hereafter referred to as district boards of conciliation in order to distinguish them from the trade boards. . . . Both trade and district boards have in all cases been spontaneously formed by the co-operation of employers and workmen more or less directly interested in the pacific settlement of trade disputes. No resort has hitherto been made to certain Acts of Parliament (those of 1867 and 1872) which were intended to enable institutions of this kind to acquire a statutory basis and certain legal powers. We find from evidence that the effect of the existing trade and district board is highly beneficial in averting conflicts, but they are far as yet from covering the whole field of industry. We have thus been led to consider whether it would be possible by any legislation either to increase the efficiency of these institutions or their number, or to supplement them by the creation under Act of Parliament of boards of a similar character.[1]

Proceeding to discuss the question whether it would be desirable to establish statutory industrial tribunals to deal with questions arising out of existing agreements, they concluded, after balancing the evidence advanced on either side :—

occupations grouped in twelve classes. The report for the year 1905 records the fact that 'the work of the board is taking more and more the form of informal interviews at which advice is given and views interchanged tending to the prevention of disputes from developing into cases for actual adjudication.' The board never arbitrates unless invited by both parties to a dispute to do so. Its prime aim is to conciliate by inviting disputing parties to conferences and by assisting the formation of trade conciliation committees.

[1] *Fifth and Final Report of the Royal Commission on Labour*, part i. pp. 97–8.

Upon the whole we do not find ourselves able to recommend the systematic and general establishment of special industrial tribunals (in addition to the existing legal methods) for deciding questions arising upon existing agreements.

We think, however, that though it would be unwise to institute any general system of industrial tribunals, there might be some advantage in an experiment of a tentative and permissive character in this direction; local representative bodies have now been constituted in every part of the country, and it would be possible to give to town and county councils a power of taking the initiative in the creation of special tribunals for defined districts or trades, more or less after the pattern of the French *Conseils de Prud'hommes*. We do not contemplate the direct appointment of members of such courts by local authorities, and certain general statutory conditions would have to be laid down directed towards securing an equal representation in such courts of the various interests concerned, and providing for a cheap and summary method of procedure. When any scheme of this kind, submitted by a town or county council, had been approved by some public department and established by order in council or provisional order, the court or courts thereby created might be invested with power of hearing and (when unable to bring about an amicable settlement in court between the parties) deciding cases which might be brought before them arising out of express or implied contract as between employers and employed within the area of their jurisdiction. These powers would be the same as those exercised in these cases by county courts or magistrates. The power to initiate the institution of new industrial tribunals might not at first be largely used by the local authorities, but it seems to us that in some parts of the country there does exist a want which might be met in this way.

It would be desirable that if there should be any legislation in this direction the ground should be cleared by the repeal of some existing statutes which, as it has been pointed out, have remained a dead letter.

A proposal has been made to confer upon the voluntary trade or district boards of conciliation powers similar to those possessed by ordinary courts of law in relation to disputes arising out of existing agreements. This course appears to us to be undesirable. Such success as these boards have achieved (and their success has been considerable), has, in our opinion, been mainly due to their purely voluntary character, and to the fact that they have possessed no legal coercive powers. Either, we think, such voluntary boards would not avail themselves of an Act of Parliament enabling them to acquire powers, and the Act would then remain a dead letter like the Conciliation Act, 1867; or if the boards were to acquire such powers, resort to them for their various purposes would be made less freely than at present.[1]

Passing to the important question of the desirability or otherwise of statutory boards of conciliation and arbitration being established, they expressed their views as follows:—

We are of opinion that no central department has the local knowledge which would enable it to attempt with success the creation of such institutions, and that the intervention of local public authorities cannot be usefully extended at present beyond the experimental action suggested above with regard to industrial tribunals to decide cases arising out of existing agreements.

We hope and believe that the present rapid extension of voluntary boards will continue, until they cover a much larger part of the whole field of industry than they do at present. This development seems to us to be at present the chief matter of importance, and it has the advantage over any systematic establishment of local boards, of greater freedom of experiment and adaptation to special and varying circumstances. If, at some future time, the success of these voluntary boards throughout the country shall have become

[1] *Fifth and Final Report of the Royal Commission on Labour*, part i. p. 98.

well assured, and if any success should attend the experiment previously suggested of giving to local authorities the power of initiating the formation of industrial tribunals, it may be found expedient to confer larger powers either upon voluntary boards or upon such industrial tribunals. But at the present stage of progress, we are of opinion that it would do more harm than good either to invest voluntary boards with legal powers, or to establish rivals to them in the shape of other boards founded on a statutory basis and having a more or less public and official character. . . .

Although we are unable to agree in supporting any proposal for establishing, at the present time, any system of State or public boards for intervening in trade disputes, we think that a central department, possessed of an adequate staff, and having means to procure, record and circulate information, may do much by advice and assistance to promote the more rapid and universal establishment of trade and district boards adapted to circumstances of various kinds. It was proposed by a bill brought into the House of Commons in the session of 1893 by Mr. Mundella on behalf of the government (and printed as Appendix IV. (*a*) to this report) to authorise the Board of Trade to take the initiative in aiding by advice and local negotiations the establishment of voluntary boards of conciliation and arbitration in any district or trade, and, further, to nominate upon the application of employers and workmen interested a conciliator or board of conciliation to act when any trade conflict may actually exist or be apprehended. The following clause was added to the Conciliation Bill as reintroduced in the session of 1894, viz.:—

Where a difference exists or is apprehended between an employer, or any class of employers, and workmen, or between different classes of workmen, the Board of Trade may, if they think fit, exercise all or any of the following powers, namely:—

(*a*) Inquire into the causes and circumstances of the difference, and make such report, if any, thereon as appears to the Board expedient; and

(*b*) Invite the parties to the difference to meet together, by themselves or their representatives, under the presidency of a chairman mutually agreed upon or nominated by the Board of Trade or by some other person or body, with a view to the amicable settlement of the difference.

We think that discretionary powers of this kind may with advantage be exercised by the Board of Trade.[1]

Upon the difficult question of the appointment of arbitrators it was suggested that power might be vested in a public department,

to appoint, upon the receipt of a sufficient application from the parties interested or from local boards of conciliation, a suitable person to act as arbitrator, either alone or in conjunction with local boards, or with assessors appointed by the employers and workmen concerned, according to the circumstances of each case. We think that arbitrators thus appointed would be fairly free from suspicion of bias, and that, if the same persons were habitually appointed to act, and their services were frequently required, they would acquire a certain special skill and weight in dealing with industrial questions. Their decision, however, would not possess legally binding effect any more than those of unofficial arbitrators in industrial questions. Possibly if the plan proved successful and the work sufficient, such arbitrators might hereafter be made permanent, instead of temporary and occasional judicial officers.[2]

These lengthy citations need no apology, for unique value must still attach to the deliberate judgments of such a body of experts and representatives of different interests as the Labour Commission.

In 1896 the Government legislated on the general lines laid down by the Labour Commission. By the

[1] *Fifth and Final Report of the Royal Commission on Labour*, part i. pp. 100–1.

[2] *Ibid.* p. 101.

new Act, which repealed the Acts of 1824, 1867, and 1872, the formation of boards of conciliation (trade boards, district boards and general boards) and their registration under the Act is advised. The Board of Trade, moreover, is empowered to approach disputants with a view to bringing about an amicable settlement, and on the application of one of the parties it may appoint a conciliator or board of conciliation, or, on the application of both, an arbitrator. There are numerous boards now registered under the Act: the amount of work done may be gathered from the tables in the Appendix to this Chapter, compiled from the official report on strikes and lockouts issued in 1905.

To supplement the statistical evidence we cannot do better than quote from a paper read by Mr. L. L. Price to the Scottish Society of Economists, at Edinburgh, on October 7, 1904, for no English economist has watched the process of industrial peace in England more continuously and with more sympathetic interest than Mr. Price. His words were as follows:—'The broad conclusion I have formed, rightly or wrongly, is that gratifying progress has been made. There may be some occasion for regret, but there is more for satisfaction. The movement may sometimes have seemed to be more gradual than had been anticipated, and sometimes it may appear to have been arrested for the moment, or even to have been turned back in a reverse direction. But, viewed from a detached position, a distinct advance can be discerned. Disputes between employers and employed are not indeed unknown; nor is it now more probable than it ever was that they will disappear from the indus-

trial world. In this sense, it is true that peace remains an imaginary ideal. But it may none the less positively be stated, as an actual and admitted fact, that an investigation of the entire area of industrial exertions in this country would lead to the conclusion that pacific methods of adjusting or preventing quarrels have become at once more common and more sure. The precise direction of the movement is perhaps not often understood, and, in consequence, misapprehension has arisen on the nature and extent of the real change effected. [For it is not in the adjustment so much as in the prevention of disputes that the chief success has been attained; and that success itself has mainly been achieved by arresting minor local differences, and not by checking, or even by composing, these large conflicts which attract and concentrate the public notice."[1]]

Closely analogous to the English law of 1896 is the French law of 1892. If either party to a dispute desires conciliation, notice may be sent to a *juge de paix*, who will thereupon approach the other party. A *juge de paix* may himself take the initiative. If both parties agree to conciliation, they appoint representatives to a committee presided over by the justice. If no solution is reached, the justice advises each party to appoint arbitrators, who, on failing to agree, may choose an umpire. The enforcement of awards is left entirely to public opinion. In the circular sent out by the Minister of Commerce to the prefects when the law was passed the importance of masters and employers

[1] Price's *Recent History of Industrial Peace*, p. 9.

being placed in permanent relations for bargaining about wages was emphasised, and the prefects were requested to try to induce employers to make the Act a success. After this it is disappointing to find that for the great majority of refusals to submit to conciliation employers are responsible, and that employers scarcely ever put the Act in force. Between 1893 and 1903 in fifty-seven of the cases in which initial steps were taken under the Act by interested parties, or the justices, conciliation committees were formed, and half of these committees led to an ultimate settlement, which was very seldom reached through arbitration. Practically all the applications were made after a strike had broken out. It is to be hoped that the Act will cause permanent conciliation boards to be formed in the different industries, and that henceforth more strikes will be actually prevented. Detailed figures are quoted in the Appendix to this Chapter.[1]

Germany in 1890 made some provision for conciliation in such industrial disputes as were not ordinarily submitted to the industrial courts. In 1901 the arrangements were slightly modified. The plan is closely identical with that just described, the president of an industrial court performing the functions exercised by a *juge de paix* under the French law of 1892, or, where there are no industrial courts, the chief officer of the district (Bürgermeister, Schultheiss, Ortsvorsteher, etc.), who, however, may delegate this duty to a special officer.[2] It is essential that

[1] Full details are given in *Statistique des Grèves et des Recours à la Conciliation et à l'Arbitrage*, published annually.

[2] Provincial authorities are empowered by the Act to establish general conciliation boards instead of leaving this matter in the hands of the chief officers.

the consent of both parties should be procured. When it is, each appoints two or more assessors, over whom the president presides. The assessors must not be concerned in the dispute, and need not be ordinary members of the industrial court. If a decision cannot be reached by common consent the committee must vote, but the president may withhold his casting vote, and declare the question undetermined. Awards are not enforced, but they are published. The value of publication is that it guides public opinion, which is a powerful factor in the settlement of disputes between employers and operatives. The court may take the initiative and approach contending parties, but usually it is invoked by one of them, in which case an attempt is made to induce the other party to agree to conciliation. The German tribunals, one of whose functions is to serve as conciliators, must be established in all towns with more than 20,000 inhabitants, and they may be set up in other places on the requisition of a certain number of employers and workpeople. Their other functions are to settle summarily individual claims arising out of the labour contract when the amount in dispute does not exceed *5l.*, and to prepare 'opinions' as a committee of reference in technical trade matters. For purposes other than conciliation they consist of an equal number of representatives of workpeople and employers appointed for a period and not elected *ad hoc* for each matter in dispute. In addition to these industrial courts there are the courts of arbitration of the gilds. Detailed figures relating to the settlement of strikes in Germany will be found in the Appendix to this Chapter.

We may now proceed to lay down certain propositions which may be regarded as the product equally of generalisation from experience and of deduction from first principles. The weakness of arbitration is that a question of wages which is not a question of interpreting some contract, intention or custom, is indeterminate by any judge unless it be assumed that the *status quo*, in the form of some written or unwritten sliding-scale, is to be maintained. The arbitrator dealing with fundamental matters can find no basis for his award except in the past; and to find it in the past is to assume the *status quo*. As a matter of fact great arbitrators have assumed larger functions, and given arbitrary decisions according to their notions, firstly, of what would be likely to happen if the matter were fought out in strikes or lock-outs,[1] and secondly of the judgment which would be most likely to heal the split for the longest time and meet best the needs of the future. When an arbitrator proceeds in this way it is obvious that the sole test of the 'correctness' of his awards is their endurance, taken in conjunction with ultimate movements in the industry. Arbitration is so difficult that there is a strong temptation for a referee to split the

[1] In Appendix A. of Mr. Pigou's *Principles and Methods of Industrial Peace* will be found a theoretical determination of the range of rates, if any, that would prove acceptable to both parties, which is based on a consideration of what each party expects to reach as a result of a strike or lock-out, and what each expects the cost of the dispute to be. As the moral effect in the future of a strike or lock-out is one element of the choice made, the 'arbitration locus,' it will be apparent, is exceedingly indefinite. In the short period, owing to the durability of plant, the range of possible rates is considerable. It should be observed that, if entries to the trade are in no wise restricted, only one rate could be maintained in the long run for a given number of hours of work per day.

difference. But to do so is fatal, and by the rules of some boards it is now forbidden. Once the suspicion got abroad that the award would be the mean of the counter-demands, the claims advanced would be pitched unreasonably high and disputes would be encouraged. When any such reactions on arbitration followed, the arbitrator would find it hopeless to attempt to estimate the forces which it should be his aim to harmonise.

For real arbitration a picked man is required who is acutely sensitive to economic influences and possessed of exceptional insight and conciliatory and persuasive powers. Moreover, it is desirable that he should know something of the industry with which he is dealing, though no doubt the necessity of an intimate acquaintance with it has been over-rated. But if he is connected with it the chances are that his interests or sympathies will be, or will be suspected to be, already engaged on one side or the other. It is essential that the arbitrator should possess the full confidence of both sides, and as a rule the operatives will be suspicious of one who is or has been an employer in any industry, however full their trust in his honesty and intention to be impartial. While a man who has been connected with industry is more likely, other things being equal, to appreciate properly the details of the industrial situation before him than any other person, and to compel among practical men belief in his competency, it must be pointed out how enormously important it is that the arbitrator should have learnt to view correctly the economic field as a whole, and that a highly successful business man might be the most unsuitable of

arbitrators owing to the narrowness of his life's prevailing interests. The lawyer is the man to whom one naturally looks for the performance of delicate judicial functions, but industrial arbitration upon fundamental questions is not judicial in character, though evidence has to be elicited. Some difficulties might be surmounted by the use of an arbitration board containing employers and operatives, representative of different trades, and men of general ability. One-sidedness would, at any rate, be avoided; but arbitration by such a board would obviously prove cumbersome, and general boards, as we have seen, have not hitherto won any conspicuous triumphs. When a board is used, we may note in passing, it ought not to be known whether the decision was unanimous or not, as otherwise the authoritativeness of some awards might be undermined.

In how many cases are the parties really irreconcilable and incapable of arriving at a settlement themselves? This is a question of supreme importance, and in the answer to it the secret of the natural solution of labour troubles seems to lie. We can hardly be pessimistic in view of the fact that in the United Kingdom between 1894 and 1904, when the total increases in weekly wages were nearly half as much again as the total decreases, changes were brought about peaceably in nearly 96 per cent. of the cases, measured by the numbers of persons affected. Labour troubles frequently arise from the fact that the natural process of settlement has generated the irritation which destroys industrial peace before the bargain can be struck. So far as this is the

case the solution is evidently to smooth the process. Machinery may refuse to work because of excess of friction, and the natural remedy is to diminish the friction. The process of bargaining is aided in the commercial world—where, however, it is true that friction must be less—by the employment of professional bargainers (brokers), and by the rules and organised system of exchanges. And, somewhat in the same manner, bargaining may be rendered easier in the labour market. Hence joint boards and boards of conciliation are growing in popularity and effectiveness. Sentiment in the United States is similar to that in the United Kingdom: a pronounced reaction against the line taken by many States in the decade ending about 1895 has been apparent in the former country for the last ten years at least.[1] There is no doubt but that the most perfect organisation for settling wages is the Trade Wages Board. General boards may be lacking in the needful detailed knowledge, and appeals to them are, after all, appeals to mediators on the interested parties having failed to strike their bargain. Trade Wages Boards educate both sides, so that failures to agree become less common. The members learn to concentrate their attention on essential points and the board is provided with all available information. As regards the constitution of these boards, members should be appointed for a period at certain times to avoid the disturbing factors of passion and bias, which are liable to operate in an election of representatives to deal with a particular question.

[1] Some account of arbitration in the United States has already been given on pp. 264–73.

Further, the members should be plenipotentiaries and not delegates, since the appeal to all the individuals affected for confirmation of the agreement is inconsistent in effect with the very principle of these organisations, namely, that agreements should be arrived at reasonably, that is after evidence has been received and by those who have received it. In order to enable an effective interchange of opinion to take place the joint committee should be small. The numbers that take part in certain American conferences—in the joint inter-State conference in the bituminous coal industry there were 650 representatives—are far too large. For the frequent meeting of employers and representatives of the operatives at the same table there is this to be said, that through constant discussion coming events will cast their shadows before and disputes will be less likely to arise suddenly.

In our view there is no doubt that compulsory resort to arbitration should not be entailed by the joint committee's failure to agree. On inductive and deductive grounds we have seen reason to expect that when arbitration must succeed a non-settlement by consent the ends of conciliation are apt to be defeated. Further, points arise that cannot satisfactorily be arbitrated upon. For permissive resort to arbitration there is more to be said. In this case it is best that the arbitrators should not be appointed by the disputants to deal with the particular point at issue, but by some outside person or body, or by the members of the joint committee at stated times. In many instances the chairman of the joint committee might be the arbitrator; but

such an arrangement is open to the objection that during conciliation there would be a chance of his leanings becoming known and causing one side to refuse arbitration. Further, knowledge of the chairman's general inclinations might stand in the way of arbitration, even in cases in which he had not revealed his opinion in the course of conciliation. The advantage of arbitration by the chairman is that he is equipped with a knowledge of the trade generally. And it might be claimed that no restatement of the point in dispute and of the arguments on each side is involved; but this is rather a disadvantage than an advantage. On the whole, perhaps, the best arrangement ordinarily is that the arbitrator should be the chairman, or a reserve arbitrator appointed periodically, or a person selected on requisition by some outside person (such as the Chairman of the House of Commons), or by some body (such as the Board of Trade), it being understood that the chairman should act unless on the result of a ballot, always to be taken in committee, some proportion of the votes, say one-third, were against his so doing. Small matters of detail involving expert knowledge would probably be most satisfactorily arbitrated upon by the chairman, while more fundamental questions might usually be referred to the special arbitrator. Much, of course, depends on the chairman's personality; and it must be remembered that a good conciliator is not necessarily a good arbitrator. Merely temporising and compromising arbitration will never win respect or confidence; but the man whose awards would suffer from his anxiety to please both parties might do excellent work in keeping joint committees at

amicable discussion until they had hit upon mutually satisfactory terms. Another valuable type of conciliator is the person who can make up his mind, offer fruitful suggestions, and plead his views without appearing to do so. He is really the arbitrator in disguise who doubles his services by cloaking their real character.

Chairman and arbitrators mutually agreed upon should not be appointed for very lengthy periods, as one party might become dissatisfied. Appointments should, however, be renewable indefinitely, since a man who has given satisfaction as an arbitrator in an industry for years is a repository of invaluable relevant experience, and has strengthened his authority with every year of successful service.[1]

Lastly, this fact must be strongly emphasised, that the most serious obstacles to the peaceful settlement of wages always have been, and still are, the incorrect views too often held by both masters and men as to their relations to each other in the matter of the producing and sharing of wealth.

[1] For a much closer analysis than can be attempted here of the *desiderata* in industrial arbitration and conciliation the reader is referred to Pigou's *Principles and Methods of Industrial Peace.*

APPENDIX TO CHAPTER IV

STATISTICS OF ARBITRATION AND CONCILIATION

United States

WORK OF THE NEW YORK STATE BOARD OF MEDIATION AND ARBITRATION, 1886–1904.

Compiled from 'Bulletin of the Bureau of Labour,' September 1905, issued by the United States Department of Commerce and Labour. (Quoted from the Third Abstract of Foreign Labour Statistics.)

Period	Number of Cases of Intervention	Number of Cases in which the Initiative was taken by				Number of Cases in which Intervention was				Number of Cases Settled by	
		The Board Itself	Employers	Workpeople	Employers and Workpeople Jointly	Unsuccessful	Successful			Conciliation	Arbitration
							Without Strike or Lock-out	After Strike or Lock-out	Total		
June–Dec. 1886	7	5	—	1	1	—	1	6	7	3	4
Jan.–Oct. 1887	14	7	4	3	—	10	—	4	4	2	2
Year ending Oct. 31 1888	17	13	2	2	—	9	1	7	8	6	2
1889	16	11	2	2	1	11	2	3	5	1	4
1890	17	10	1	5	1	10	—	7	7	6	1
1891	7	4	1	2	—	6	—	1	1	1	—
1892	11	7	1	3	—	7	—	4	4	3	1
1893	10	9	—	1	—	6	—	4	4	4	—
1894	18	15	—	1	2	6	2	10	12	10	2
1895	27	22	2	1	2	20	2	5	7	5	2
1896	17	16	1	—	—	13	1	3	4	4	—
1897	30	26	—	3	1	14	4	12	16	13	3
1898	19	18	—	1	—	8	1	10	11	11	—
Nov. 1898–Dec. 1899	31	25	1	5	—	14	4	13	17[1]	16	—
1900	33	28	1	4	—	21	1	11	12	12	—
Jan.–Sept. 1901	17	14	1	2	—	11	—	6	6	6	—
Year ending Sept. 30 1902	29	23	1	5	—	17	1	11	12	11	1
1903	26	20	—	6	—	18	—	8	8	8	—
1904	8	7	—	1	—	5	—	3	3	3	—

[1] Including one dispute settled as the result of public investigation.

Work of the Massachusetts State Board of Conciliation and Arbitration, 1886–1905.

Compiled from 'Bulletin of the Bureau of Labour,' September 1905, issued by the United States Department of Commerce and Labour, and from the 'Annual Reports of the State Board of Conciliation and Arbitration' for Massachusetts. (Quoted from the Third Abstract of Foreign Labour Statistics.)

Year	Total Number of Cases in which Action was taken	Number of Cases in which the Initiative was taken by				Number of Cases of Preliminary Action only	Number of Cases of Intervention	Number of Cases in which Intervention was				Number of Cases Settled		
		The Board Itself	Employers	Work-people	Employers and Work-people Jointly			Unsuccessful	Successful			By Conciliation	By Arbitration	By Other Means
									Without Strike or Lock-out	After Strike or Lock-out	Total			
1886 [1]	4	—	—	3	1	—	4	2	2	—	2	1	1	—
1887	21	10	2	1	8	1	20	4	9	7	16	7	9	—
1888	41	16	9	11	5	4	37	13	7	17	24	12	9	3
1889	28	6	7	5	5	2	21	6	7	8	15	9	6	—
1890	34	19	6	6	3	8	26	11	3	12	15	8	5	2
1891	29	17	—	5	7	5	24	8	7	9	16	9	7	—
1892	40	19	3	9	9	11	29	13	9	7	16	7	8	1
1893	32	18	2	8	4	5	27	15	6	6	12	8	4	—
1894	38	19	2	7	10	10	28	13	9	6	15	7	8	—
1895	32	16	3	4	9	4	28	13	10	5	15	5	10	—
1896	29	12	—	5	12	4	25	10	12	3	15	4	11	—
1897	36	13	3	5	15	6	30	12	12	6	18	5	12	1
1898	19	13	—	1	5	3	16	9	5	2	7	2	5	—
1899	26	18	2	5	1	7	19	7	3	9	12	11	1	—
1900	50	34	5	9	2	7	43	26	5	12	17	15	2	—
1901	94	64	2	17	11	25	69	26	14	29	43	36	7	—
1902	106	53	7	21	25	18	88	29	31	28	59	35	24	—
1903	167	65	12	22	68	39	128	51	65	12	77	26	51	—
1904	122	53	4	10	55	26	96	30	57	9	66	22	44	—
1905	155	75	4	7	69	47	108	29	58	21	79	30	49	—

[1] Four months only.

United Kingdom

The following tables are quoted from the official annual report on strikes and lock-outs issued in 1905.

The first table gives details of the work done by permanent boards, but no figures are returned of the probable numbers of persons involved in each case. In 1904 twice as many cases were settled by conciliation as by arbitration. It is evident from the second table that the great majority of the cases not settled by the boards do not result in outbreaks. It must be remembered that, in addition to the permanent boards, whose work is here analysed, there exist, or appear from time to time, other arrangements between employers and workpeople for the settlement of disagreements by conciliatory means. Thus conferences may be summoned, and there is the Brooklands agreement, applying to a large section of the cotton-spinning industry, which provides for the meeting of representatives of both parties, as need arises. The second table shows the relative amount of work done by conciliation and arbitration after disputes have broken out. According to this table, between 1896 and 1904, out of 1,691,000 persons affected by disputes, 145,700, or nearly 9 per cent., owed the solution of their difficulties to arbitration or conciliation, about an equal number to each. Actually, as we know for the reasons advanced above, conciliatory methods have effected more than this table would lead us to believe. The third table shows the agency by which arbitration or conciliation was brought about. One

Summary Table showing the Work of Permanent Conciliation and Arbitration Boards for each of the Years 1896–1904, Classified by Trades.

Trade	1896	1897	1898	1899	1900	1901	1902	1903	1904
	Number of Boards known to have Settled Cases[1]								
Trade Boards :—									
Building	3	3	3	7	11	9	7	7	9
Mining	10	6	7	7	13	11	13	12	10
Iron and Steel	5	6	6	6	6	6	6	5	5
Engineering and Shipbuilding	6	8	8	9	9	11	13	16	10
Other Metal Trades	7	5	4	7	7	3	3	2	3
Textile	2	3	5	—	—	1	1	2	1
Boot and Shoe	13	11	10	11	10	8	8	8	8
Other Trades	3	4	4	3	6	3	4	3	6
District and General Boards	1	2	2	3	2	2	2	2	2
Total	50	48	49	53	64	54	57	62	54
	Number of Cases Considered by Boards[1]								
Trade Boards :—									
Building	9	4	10	13	29	20	19	15	29
Mining	950	955	877	829	824	1,035	1,104	1,278	1,089
Iron and Steel	48	47	65	45	29	44	41	55	37
Engineering and Shipbuilding	53	82	57	98	116	138	125	104	91
Other Metal Trades	10	8	14	20	15	10	39	28	27
Textile	12	18	31	—	—	3	10	20	8
Boot and Shoe	330	314	195	175	147	146	82	80	84
Other Trades	39	18	64	43	26	5	26	48	48
District and General Boards	5	8	7	9	4	4	6	5	5
Total	1,456	1,454	1,330	1,232	1,190	1,405	1,462	1,633	1,418
	Number of Cases Settled by Boards[1]								
Trade Boards :—									
Building	9	3	7	9	23	18	11	10	13
Mining	413	415	433	367	283	401	424	516	399
Iron and Steel	38	35	53	30	20	37	24	47	30
Engineering and Shipbuilding	48	70	51	81	103	114	103	76	69
Other Metal Trades	9	7	12	17	14	10	19	27	24
Textile	9	14	17	—	—	3	8	7	4
Boot and Shoe	251	232	137	125	107	101	57	59	36
Other Trades	36	16	59	42	25	4	20	42	35
District and General Boards	5	6	6	4	3	2	2	4	5
Total	818	798	775	675	578	685	678	788	615

[1] The cases include both disputes causing stoppage of work and those in which no stoppage occurred.

thing that the tables seem to bring out unmistakably is the efficiency of the trade boards as contrasted with the district and general boards.

METHODS OF SETTLEMENT OF DISPUTES.

Year	By Direct Arrangement or Negotiation Between the Parties or their Representatives	By Arbitration	By Conciliation	By Return to Work on Employers' Terms without Negotiation	By Replacement of Workpeople	By Closing of Works	Indefinite	Total
	Number of Disputes							
1896	633	19	30	114	107	19	4	926
1897	624	14	27	76	105	7	11	864
1898	495	13	30	71	96	—	6	711
1899	562	16	22	22	88	8	6	719
1900	487	19	14	46	74	4	4	648
1901	456	25	18	45	92	5	1	642
1902	319	16	13	40	50	3	1	442
1903[1]	270	18	8	36	50	5	—	387
1904	227	15	12	27	67	5	1	354
	Total Number of Workpeople Affected (in Thousands)							
1896	136·3	10·3	10·5	30·6	7·3	3·2	·14	198·2
1897	187·0	9·8	9·5	15·2	4·3	1·7	2·7	230·3
1898	206·9	3·4	16·2	17·6	9·6	—	·26	253·9
1899	156·7	3·3	3·4	7·1	4·0	·10	·64	180·2
1900	155·0	7·1	3·6	11·4	5·3	·3	·79	188·5
1901	143·5	9·3	3·5	9·4	7·1	1·3	·54	179·5
1902	223·0	4·6	7·1	16·6	5·1	·3	·08	256·7
1903[1]	80·6	13·7	3·1	11·5	2·9	·25	—	116·9
1904	59·2	4·0	3·5	12·3	7·4	·4	·03	86·9

[1] The figures for 1903 have been revised to include the methods of settlement of disputes that were terminated after the Report for that year had been published.

SUMMARY TABLE SHOWING FOR EACH OF THE YEARS 1893–1904 THE TRADE DISPUTES (INVOLVING STOPPAGE OF WORK) WHICH COMMENCED IN THOSE YEARS AND WERE SETTLED BY CONCILIATION OR ARBITRATION, CLASSIFIED ACCORDING TO THE AGENCIES BY WHICH THE DISPUTES WERE ARRANGED (WHICH WERE FIRST PARTICULARISED IN 1893).

Agency of Settlement	Settled by Conciliation		Settled by Arbitration		Total Number of Disputes Settled by Conciliation or Arbitration	
	Number of Disputes	Number of Persons Affected	Number of Disputes	Number of Persons Affected	Number of Disputes	Number of Persons Affected
By Trade Boards:						
1893	2	5,285	2	215	4	5,450
1894	8	4,194	3	264	11	4,458
1895	6	3,993	3	1,229	9	5,222
1896	11	1,728	—	—	11	1,728
1897	10	3,349	1	60	11	3,409
1898	18	12,664	1	65	19	12,729
1899	5	392	—	—	5	392
1900	2	55	4	2,401	6	2,456
1901	12	2,803	5	1,199	17	4,002
1902	7	6,106	2	1,800	9	7,906
1903	5	1,865	2	410	7	2,275
1904	7	2,554	2	806	9	3,360
By District and General Boards: [1]						
1893	2	1,518	1	464	3	1,977
1894	1	312	4	518	5	830
1895	—	—	—	—	—	—
1896	—	—	—	—	—	—
1897	1	80	—	—	1	80
1898	—	—	1	28	1	28
1899	5	574	—	—	5	574
1900	1	140	—	—	1	140
1901	—	—	—	—	—	—
1902	1	265	2	330	3	595
1903	—	—	—	—	—	—
1904	—	—	1	11	1	11
By Individuals: [2]						
1893	1	300,000	17	4,582	18	304,582
1894	18	4,599	20	9,489	38	14,088

[1] Including disputes settled by trades councils and federations of trade unions.

[2] Including action by Board of Trade under Conciliation Act for the years 1896–9.

SUMMARY TABLE OF TRADE DISPUTES (*continued*).

Agency of Settlement	Settled by Conciliation		Settled by Arbitration		Total Number of Disputes Settled by Conciliation or Arbitration	
	Number of Disputes	Number of Persons Affected	Number of Disputes	Number of Persons Affected	Number of Disputes	Number of Persons Affected
By Individuals (*continued*):						
1895	10	57,485	19	6,813	29	63,748
1896	19	8,744	19	10,276	38	19,020
1897	16	6,165	13	9,696	29	15,861
1898	12	3,503	11	3,257	23	6,760
1899	12	7,420	16	3,819	28	10,789
1900	10	8,073	10	3,042	20	11,115
1901	4	2,452	10	1,441	14	3,893
1902	4	668	6	1,452	10	2,120
1903	3	1,245	10	3,315	13	4,560
1904	5	925	9	1,720	14	2,645
Under the Conciliation Act, 1896:[1]						
1900	1	375	5	1,675	6	2,050
1901	2	3,210	10	6,644	12	9,854
1902	1	90	6	1,029	7	1,119
1903	—	—	6	14,933	6	14,933
1904	—	—	3	1,439	3	1,439
Totals:						
1893	5	306,748	20	5,261	25	312,009
1894	22	9,105	27	10,221	49	19,326
1895	16	61,428	22	7,542	38	68,970
1896	30	10,472	19	10,276	49	20,748
1897	27	9,544	14	9,756	41	19,300
1898	30	16,167	18	3,350	48	19,517
1899	22	8,386	16	3,319	38	11,705
1900	14	8,643	19	7,118	33	15,761
1901	18	8,465	25	9,284	43	17,749
1902	13	7,129	16	4,611	29	11,740
1903	8	3,110	18	18,658	26	21,768
1904	12	3,479	15	3,976	27	7,455

[1] In addition, disputes in which no stoppage of work occurred were settled under the Conciliation Act as under:—

1900	6 cases.	1903	7 cases.
1901	12 cases.	1904	6 cases.
1902	9 cases.		

Interventions under the Conciliation Act prior to 1900 are grouped with the actions of individuals.

France

NUMBER OF CASES IN WHICH THE CONCILIATION AND ARBITRATION ACT (OF DECEMBER 27, 1892) WAS PUT INTO OPERATION IN FRANCE, AND NUMBER OF DISPUTES SETTLED UNDER THIS LAW.

Compiled from 'Statistique des Grèves et des Recours à la Conciliation et à l'Arbitrage,' published by the French Labour Department.

—	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905
Number of cases in which the Act was put into operation before the commencement of any strike [1]	7	8	5	6	3	2	2	9	6	4	9	9	16
Number of cases in which the Act was put into operation—													
By initiative of employers	5	4	2	4	4	3	1	6	5	5	3	10	4
By initiative of workpeople	56	51	46	57	46	57	113	141	67	60	89	115	88
By initiative of both sides	2	2	3	4	1	3	4	8	3	2	2	6	6
By initiative of Justice of the Peace	46	44	34	39	37	32	80	79	67	40	58	116	148
Total	109	101	85	104	88	94	197	234	142	107	152	247	246
Number of strikes settled before formation of Conciliation Committees	13	8	4	7	9	4	9	14	9	6	4	4	7
Number of refusals to settle by conciliation—													
By employers	34	24	29	41	20	33	65	88	51	35	46	68	51
By workpeople	6	4	—	3	2	1	1	3	4	2	1	6	8
By both parties	2	1	2	—	3	5	13	5	6	5	8	5	9
Total	42	29	31	44	25	38	79	96	61	42	55	79	68
Number of Conciliation Committees formed [2]	55	65	53	53	54	52	106	128	72	59	93	164	171
Number of Committees [2] which settled disputes—													
By conciliation	28	31	24	21	25	18	36	60	38	32	42	108	96
By arbitration	5	2	3	1	5	2	6	18	8	2	2	8	8
Total	33	33	27	22	30	20	42	78	46	34	44	116	104

[1] Out of the 86 cases in thirteen years in which the Act was put into operation before the commencement of any strike, a stoppage was averted in 37 cases.

[2] In a few cases there have been several distinct committees in relation to the same dispute.

Germany

TABLE SHOWING THE NUMBER OF TRADE DISPUTES TERMINATED IN GERMANY AND THE METHODS OF ADJUSTMENT, 1899–1905.[1]

—	1899	1900	1901	1902	1903	1904	1905
Number of trade disputes terminated . .	1,811	1,468	1,091	1,106	1,444	1,990	2,557
Number of workpeople directly affected (in thousands)	104·6	131·9	60·7	64·2	120·9	127·2	536·8
Number of disputes settled by industrial courts acting as boards of conciliation	55	45	32	43	55	86	109
Percentage of workpeople affected by industrial disputes ,, in those settled by industrial courts	11·6	11·7	6·5	10·9	5·3	7·9	6·3

NUMBER OF INDUSTRIAL COURTS, NUMBER OF APPLICATIONS FOR THE INTERVENTION OF SUCH COURTS IN COLLECTIVE LABOUR DISPUTES IN THE GERMAN EMPIRE, WITH THE RESULTS OF SUCH INTERVENTION.

Compiled from (1) 'Kommission für die Petitionen, No. 196–201, Reichstag 6. Legislaturperiode, V. Session, 1897–8'; (2) 'Das Gewerbegericht,' the official organ of the Federation of German Industrial Courts; (3) 'Reichs-Arbeitsblatt,' the Journal of the German Labour Department; and (4) 'Bulletin of the Bureau of Labor' of the United States of America, September 1905, and from information supplied by the 'Reichsamt des Innern.' (Quoted from the Third Annual Abstract of Foreign Labour Statistics.)

Year	Number of Courts in Existence	Number of Applications for Intervention of Courts	Number of Agreements brought about through Conciliation	Number of Decisions pronounced after Failure of Conciliation	Number of such Decisions Accepted	Total Number of Disputes Settled
1893	154 [2]	5	3	—	—	3
1894	217 [2]	16	7	3	1	8
1895	272 [3]	19	13	3	—	13
1896	275 [2]	41	18	11	2	20
1897	285 [2]	27	12	4	2	14
1898	not	30	9	6	1	10
1899	stated	49	16	4	2	18
1900	327 [4]	52	21	6	5	26
1901	337 [4]	50	22	5	4	26
1902	378 [4]	144	35	10	4	39
1903	405 [4]	174	54	13	7	61
1904	415 [4]	163	80	21	10	90
1905	411 [4]	165	128	25	14	142

[1] Full details are given in *Streiks und Aussperrungen* (Statistik des Deutschen Reichs), published annually.

[2] On January 1. [3] August. [4] On December 31.

The preceding table shows the number of industrial courts, other than gild courts, in Germany, and the work done by them under the law of July 29, 1890, amended by law of June 30, 1901.

The following are the figures as to strikes and lock-outs settled under similar methods of conciliation and arbitration in the three countries in the period 1900–1904, so far as they can be contrasted:—

—	Strikes. Annual Averages	Strikes Settled under Conciliation and Arbitration Acts. Annual Averages	Column 2 expressed as Percentage of Column 1
United Kingdom .	495	17 (32) [1]	3·4 (6·5) [1]
France . . .	707	64	9·0
Germany . . .	1,420	52	3·7

It may be remarked, as a comment upon these statistics, that in the United Kingdom more disputes are arranged before a strike breaks out than in the other two countries.

[1] The figures in parentheses relate to all disputes settled by arbitration or conciliation. Those not in parentheses include cases arranged by trade boards, or general or district boards, as well as those in which the Board of Trade intervened (see pp. 282–3).

CHAPTER V

UNEMPLOYMENT

Our main purpose here is, broadly, threefold: to state the facts as regards unemployment due to want of work, to analyse causes, and to propose remedies. We are not concerned with absences from work occasioned by sickness; and with the 'unemployable' and voluntarily unemployed we shall deal only to a limited extent.

No adequate classification of the unemployed according to character and capacity exists, but the following piece of purely local evidence, which is an analysis based upon the returns to certain London distress committees under the Unemployed Workmen's Act, reveals some interesting points.[1]

86	per cent.	were 'unskilled.'
56	„	were 'casual' labourers.
87	„	owed their position to one or more of these causes —age, inefficiency, or bad character.
22	„	were of good character, possessing good industrial records.
41	„	were of indifferent efficiency, and had only an indifferent record.
16	„	were or had been members of a recognised trade union.
14	„	were or had been members of a friendly society or slate club.[2]

[1] Quoted from Mr. C. J. Hamilton's paper read to the British Association in 1906.

[2] A slate club is the simplest form of friendly society.

The 22 per cent. of the applicants possessing good characters and good records is as significant as the 41 per cent. of indifferents, the 86 per cent. of 'unskilled,' or the 56 per cent. of 'casual' labourers.

The question of the extent of unemployment involves consideration of (1) fluctuations from month to month—i.e. seasonal employment—(2) fluctuations from period to period according to the state of trade—cyclical employment, as it may be termed—(3) increases or decreases over a long period, and of (4) the amount of special unemployment caused by abnormal industrial changes. Whether the last may be expected to increase or diminish has already been considered on pages 161–7.

We must notice, further, the proportions of the unemployed who are out of work for different lengths of time, and whether these vary considerably, and the distribution of unemployment by age. It is evident that the distress caused by want of work does not depend so much upon the numbers unemployed as upon the numbers who have been unemployed for many weeks. Indeed it is conceivable, but unlikely, that an expansion of the army of the workless might take place simultaneously with an improved state of the labour market, owing to a rise in the amount of changing of places and occupations. Unfortunately, statistics of the proportions of the unemployed for want of work in England who have been idle for different lengths of time are scanty. The most satisfactory piece of evidence consists in an analysis made by the Board of Trade of books belonging to the Amalgamated Society of Engineers (Manchester and Leeds district) in which unemployed members

enter their names. The results were as follows for the period covered; we state annual figures as well as averages, since the former are of use as an index of the relation in different periods between the state of trade and the amount of unemployment. A noticeable feature of the table is the high percentage of those unemployed for less than four weeks—those unemployed for less than three days may be ignored. Unemployment due to strikes or lock-outs is not covered by the table.

—	1887	1888	1889	1890	1891	1892	1893	1894	1895	Mean of Nine Years
Mean number of members (excluding superannuated members), in thousands	5·70	5·64	5·99	6·24	6·69	6·96	6·93	7·04	7·27	6·51
Percentage of above unemployed for more than 2 days during the year	29·5	22·5	19·0	21·4	38·8	29·8	26·4	27·5	23·5	29·7
Average percentage unemployed at the *same time* for the year	3·1	6·4	2·1	2·1	4·6	7·5	10·2	8·9	5·3	6·1
Percentage number of members unemployed during the year for—										
(*a*) Less than 3 days	60·5	67·5	82·0	78·6	61·2	60·2	73·6	72·5	76·5	70·4
(*b*) 3 days and less than 4 weeks	6·1	14·4	11·4	14·1	23·4	17·5	5·8	8·3	7·1	13·0
(*c*) 4 weeks " " " 8 "	7·2	5·6	3·0	3·5	6·2	6·8	2·4	2·6	5·0	4·7
(*d*) 8 " " " " 12 "	4·8	3·1	1·1	1·6	2·9	4·5	2·1	1·8	3·0	2·8
(*e*) Over 12 weeks . . .	11·6	9·5	2·5	2·2	6·2	11·1	16·2	14·9	8·3	9·3
Number of working-days lost per member	24·7	19·6	6·5	6·4	14·0	23·0	31·1	27·2	16·1	18·7

A fragment of evidence from Manchester may be adduced next. An inquiry conducted by the Manchester University Settlement in Ancoats, Manchester, and the Lancashire College Settlement in Hulme, Manchester, in February 1904, a time of very bad trade, and another investigation made in November 1906, showed that the percentages of those out of work for different periods were as follows :—

	1904	1906
Under 1 month	15	27
1 to 3 months	38	34
4 to 6 „	22	15
7 to 12 „	14	10
Over 12 „	6	9
Not stated	5	5
	100	100
Population of districts visited	10,800	7,400
Number of unemployed	600	178
Percentage of unemployed	5·56	2·33

On both occasions less than half had been out of work for more than three months, and only about 20 per cent. for the half-year. The bulk of the unemployed were non-unionists, but their enormous preponderance might perhaps be explained by the peculiarity of the districts examined. We may contrast with this table the opinion advanced by the French Office du Travail in 1896 as to the distribution of unemployment over the French working population:[1]—

Unemployed for less than 8 days	8	per cent. of the unemployed
„ from 8 days to 6 months	87	„ „ „
„ for more than 6 months	10	„ „ „
	100	

The table is remarkable for the small percentage of unemployed for more than half a year. But in neither of the reports quoted above are we told what length of service was taken as regular employment.

Another important matter is the distribution of unemployment by age, but no extensive figures are available. The Board of Trade analysis of some 'vacant' books of the Amalgamated Society of Engi-

[1] Absence from work owing to sickness appears to have been included. See *Documents sur le Chômage* (Office du Travail, 1896).

neers already referred to revealed the interesting facts appended as regards loss of time for want of employment covering more than three days for the year of medium employment 1895:—

	Average Number of Days Lost in a Year
Members between 15 and 25 years of age	8·8
„ „ 25 „ 35 „	13·1
„ „ 35 „ 45 „	12·8
„ „ 45 „ 55 „	20·1
„ „ 55 „ 65 „	33·1
„ „ 65 and over (excluding superannuated)	26·9
All ages	15·1[1]

As we should have expected, the unemployment tended to concentrate upon those whose efficiency would normally be somewhat impaired by age. The investigation made in Manchester in 1906 referred to above showed the following distribution of unemployment by age, men only being considered:—

	Percentage of Unemployed
20 years and under	16·5
21 „ to 35	34
36 „ „ 40	14
41 „ „ 50	16·5
Over 50	19
	100

Of the total percentage of unemployment in the country it is practically impossible to form any exact conception. Returns bearing upon the matter are made by trade unions, but they can hardly be accepted as typical of the whole labour of the country, skilled and unskilled.

It is commonly assumed that the proportion of unemployment must be greater among non-unionists than among unionists. In support of the opposite

[1] This average is slightly too low.

view, however, it may be contended that trade unionists are sometimes out of work owing to the unions' attempts to bring about or retain wages which for the time in question result in the supply of labour being greater than the amount demanded.[1] As bearing upon this question, it is instructive to compare the unemployment returns made by French trade unions (which have been rendered since 1894, and cover each year variable proportions of organised labour which probably lie within the limits of a quarter and a half) with the unemployment discovered by the industrial censuses taken in March 1896 and March 1901. The latter were 4·6 and 6·5 respectively expressed as percentages of industrial employees (travailleurs), and averaged 5·6. M. Fagnot, in his report as secretary to the Conseil Supérieur du Travail in 1903, puts the average percentage returned by trade unions between 1894 and 1902 at 7·25 per cent. But if the returns from the two sources are contrasted, the same period should be selected. The censuses were taken in March, and it is therefore the March trade-union returns for the same years which should be compared with the census figures: even then the evidence from the two sources would relate only approximately to the same time.

PERCENTAGE OF UNEMPLOYMENT IN FRANCE.

	March, 1896	March, 1901
Census returns	4·6	6·51
Trade-union returns	5·0	10·0

The divergence seems to show that the lack of work reported by trade unions must not be accepted as typical of the French working population as a whole;

[1] This point is dealt with more fully on pages 338–9.

and certainly it is a doubtful expedient to assume that the trade unions rendering returns, the membership of which in January 1903 amounted to less than one-thirtieth of the working population (travailleurs), are a group closely representative in respect of liability to unemployment of the operative classes. The French industrial census figures, it must be remembered, include the chronically unemployed, many of whom are unemployable.[1] Here we may appropriately quote some other census figures, though they seem to throw little additional light upon the inquiry, except, perhaps, the first table, in which we find the proportion of the population unemployed for more than twelve months. Most of the persons unoccupied for so lengthy a period would probably be unemployable. The facts discovered by the census of Massachusetts taken in 1895 were as follows :—

—	Employed Continuously during Census Year	Unemployed Continuously during Census Year	Irregularly Employed during Census Year	Covered by the Inquiry	To whom the Inquiry was Inapplicable during Census Year	Population
Number of persons. .	665,000	8,400	252,500	925,800	1,574,400	2,500,000
Percentages of persons covered by the inquiry	72	1	27	100	—	—
Percentages of population	—	—	—	37	63	100

For the three cities of Boston (population 496,900), Worcester (population 98,800), and Fall River (population 89,200) the respective percentages of persons unemployed throughout the year were 1·22, 1·55, and ·40, and those of persons unemployed for some portion of the year were 18·25, 23·06, and 62·63. The latter probably measure the amount

[1] On the above see *Les Caisses de Chômage*, a publication of the Ministère du Commerce, etc., in 1903.

of changing of places more closely than the want of occupation which means any acute distress.

In Australia censuses have revealed the facts stated below for the end of March 1901 :—

State	Population	Wage-earners	Unemployed	Per Cent. Unemployed among Population	Per Cent. Unemployed among Wage-earners
New South Wales	1,354,846	362,477	24,408	1·80	6·78
Victoria . .	1,201,170	321,600	16,442	1·37	5·11
South Australia .	362,604	102,245	4,045	1·12	3·96
Western Australia	184,124	71,117	3,589	1·95	5·05
Tasmania . .	172,475	46,324	2,165	1·26	4·67

Upon this table Dr. Clarke comments :—

'An investigation of unemployment made by the Bureau of Labor in the United States, showing the heads of families unemployed in the course of a year and the length of time idle, for 25,440 families of working-men in thirty-three different States, gave an average period of 4·7 weeks unemployed. This would give a proportion of 9 per cent. idle among wage-earners. These statistics, however, are confined to those engaged in industrial pursuits, while the Australian figures include agricultural and mining labour. The figures for Australia were taken at the end of March, corresponding with the end of September in America, a period when the demand for labour is usually active, while those for America extend throughout the year and cover seasonal periods of slackness due to climatic conditions.'[1]

Seasonal unemployment, so far as it exists, is not equally pronounced in all trades. Where it is

[1] Labour conditions in Australia (Bulletin 56 of Bureau of Labour Washington).

appreciable, the wages tend to be higher than they would be otherwise. In some seasonal trades the few suffer severely, while the many feel the burden of the risk; in others a compulsory vacation is imposed for a period which is elastic within limits. Seasonal slackness does not necessarily imply much, if any, distress, though there are exceptions, as for instance in the building trades during unusually hard winters. The work of sailors, farm labourers, railway trackmen and many others, is also affected to a considerable extent by the weather. Another cause of seasonal fluctuations in employment is periodicity in consumption, which bears for example on the clothing trades and the mining of coal for domestic purposes. Thus it will be noticed in the figures in the Appendix to this Chapter that the average days worked per week in coal mines in the United Kingdom are very low in June, July, and August. The statistics quoted cover mining for industrial as well as domestic purposes, hence the high degree of periodicity affecting one branch of the trade is somewhat hidden. It will therefore be of interest to supplement English figures by others put forward in the United States Geological Survey for 1900 of days per annum worked in anthracite and bituminous mines: anthracite coal is used chiefly to feed domestic hearths, and bituminous for manufacturing purposes. In the period 1890–1900, in the bituminous mines the average days of employment per annum were 209, whereas in the anthracite mines they were 182. As regards the fluctuation in employment due to periodicity of demand, we may observe that it is mitigated by the production of goods for stock, and that making

for stock is being encouraged by progressive specialism in anticipating, and by the absolute and relative rise in the cost of plant which is increasingly adding to the expenses of stoppages.

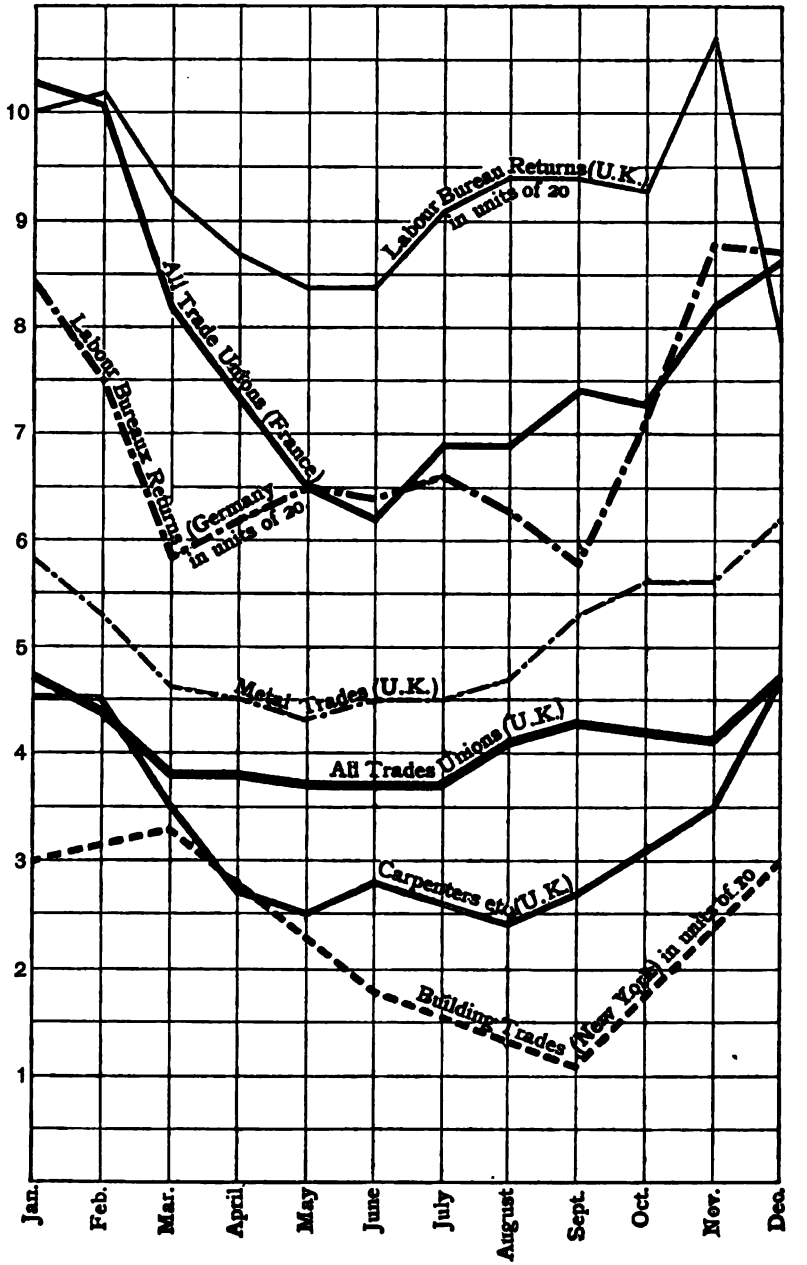
On the diagrams on pages 314 and 315 we have grouped some of the most salient statistics of seasonal employment which will be found in the Appendix to this Chapter. The reader must be cautioned that only the relative fluctuations are comparable. On the first diagram are collected examples of the periodic recurrence of unemployment in the winter. But this is not the only type of seasonal employment, as we have already observed. On the second diagram are two other types; that among the colliers represented by French and English figures, to which reference has been made above; and that in the printing and bookbinding trades (represented by English and American figures) in which the greatest slackness falls in the late summer and autumn, and the best time seemingly is experienced just before Christmas. The demand for literature is high in the winter, especially about Christmas, and slight in the vacation months. Most of the effect of preparation for the autumn publishing season appears to be over by the beginning of August, and no new special demand operates until just before Christmas.

Notes on the Diagrams.

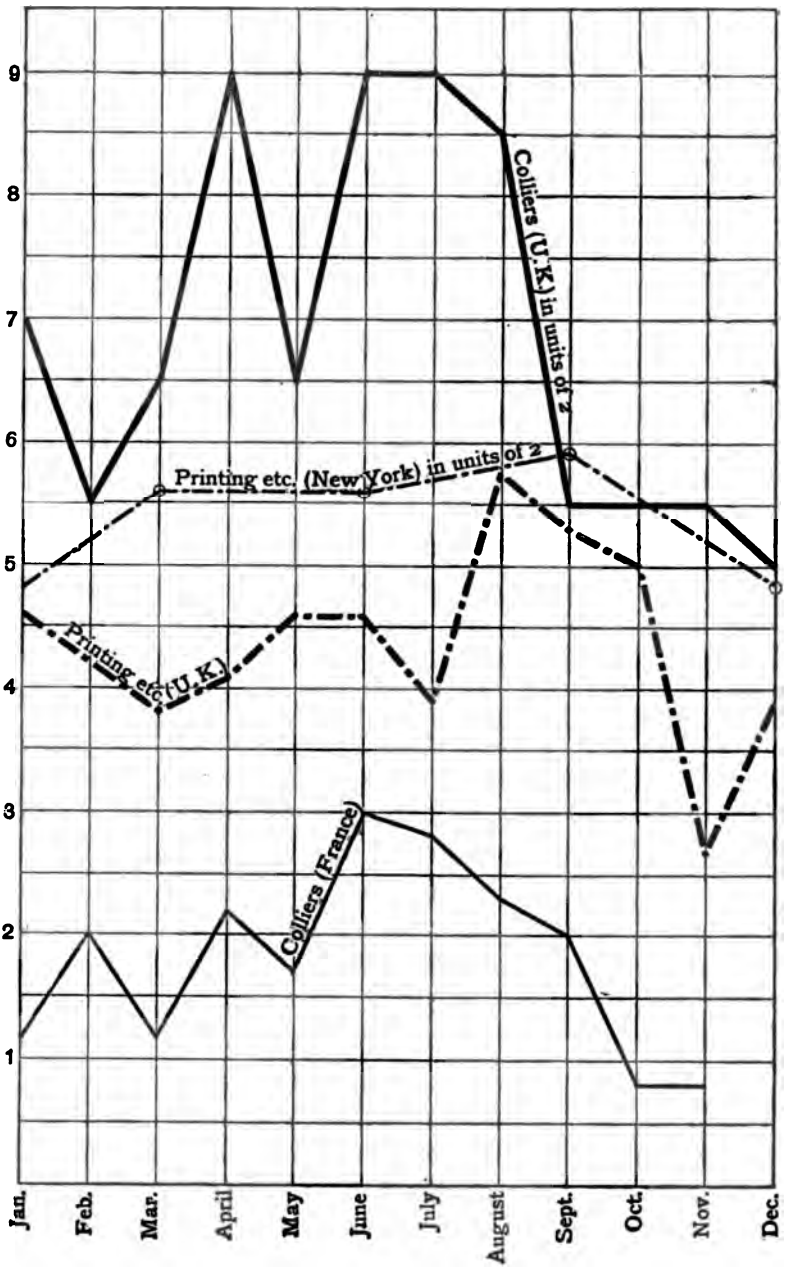
The figures upon which the curves are based will be found on pages 385–95, where the periods averaged in each case are stated.

Labour Bureaux Returns (United Kingdom and Germany) in units of 20.—These two curves represent the ratio between applications for places and the places offered.

SEASONAL UNEMPLOYMENT



SEASONAL UNEMPLOYMENT



Building Trades (New York) in units of 10.—This curve shows the percentage unemployment of trade unionists in the building trade, New York State, at the end of certain quarters. The high percentages in comparison with the percentages for England no doubt mean that the two sets of figures measure facts that are in some respects essentially different. We have not tried to analyse the causes of the divergence, as our sole object here is to call attention to the facts of seasonal variations. The same remark may be made of the absolute differences between the two curves for building, &c., on the second diagram.

All the other curves on the first diagram give percentage unemployment at the end of each month.

The bases of the two curves for colliers on the second diagram are the calculations of percentage losses of time explained on pages 387 and 394.

Seasonal unemployment is to be distinguished from fluctuations of unemployment with the general state of trade, or, as it might be termed, cyclical unemployment. The latter is shown for the United Kingdom in the diagram on page 317, which is adapted from one given in the Second Fiscal Blue Book. The statistics upon which the diagram is based are quoted and explained in the Appendix to this Chapter. As none of our chief foreign competitors has collected figures for a sufficient period an international comparison is impossible. It is not pretended that this diagram represents the total percentage of employment in the country. Account is taken only of the 'out-of-works' in certain trade unions which insure their members against loss of work. All the labour which lies outside trade unionism has been ignored, and also any unemployment in the form of short time. But at least the

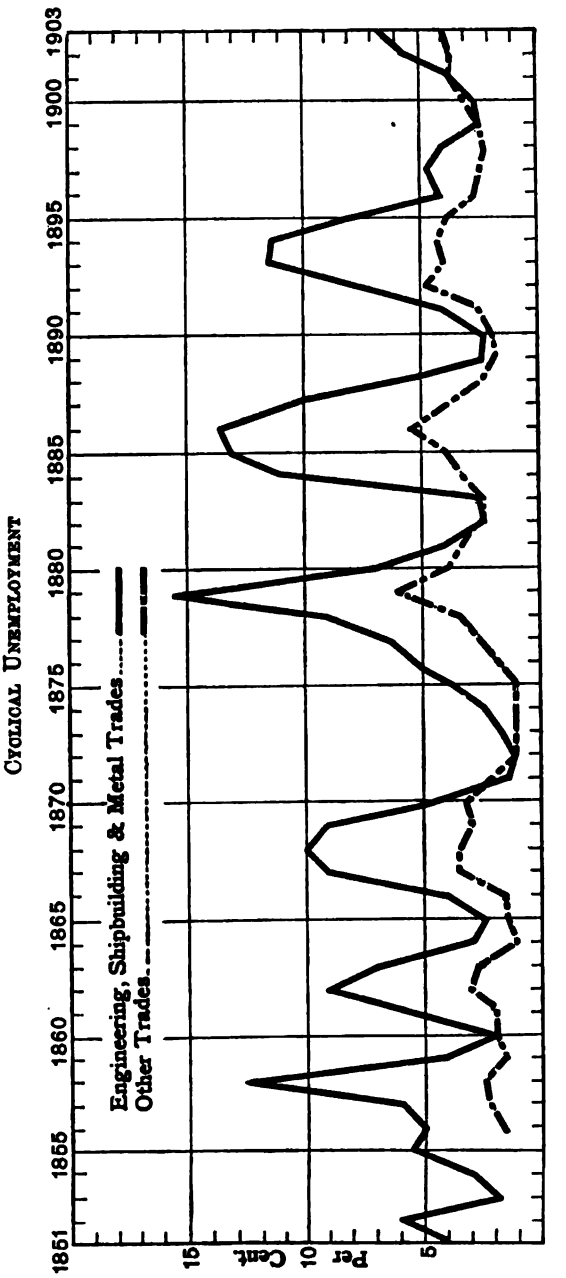

Cyclical Unemployment
Engineering, Shipbuilding & Metal Trades
Other Trades
Per Cent.
15
10
5
1851
1855
1860
1865
1870
1875
1880
1885
1890
1895
1900
1903

diagram may be held to provide a fairly satisfactory index of the variations in unemployment from time to time.

May the general sweep of the two curves be regarded as marking the general trend of the percentage of unemployment in the country? To this question we shall now address ourselves. First, we must determine what the general sweep of the two curves is. If the two curves be simply averaged, the same weight being attached to the metal trades as to all other trades jointly, the indices that follow are obtained as regards quantity of employment (*not unemployment*), that for the year 1900 being written as 100. The periods selected for averaging are those covering a whole wave-length. The objection to ten-yearly averages is that, as the cycle revealed in the figures does not always cover ten years, some ten-yearly periods would contain more than their due proportion of maxima or minima percentages. A glance at the diagram will convince the reader that the periods used in the Fiscal Blue Book, which are the same as those beneath, are fairly chosen.

Period	Average Level of Employment	Range of Variation in Employment
1860–64	99·2	4·3
1865–71	98·7	5·2
1872–81	98·9	10·1
1882–88	96·8	7·4
1889–98	98·3	5·8
1899	100·5	—
1900	100	—
1901	99	—
1902	98·2	—
1903	97·5	—

On the evidence of these columns it can hardly be asserted that the percentage of employment is

falling, that is, that the percentage of unemployment is rising, among trade unionists. Again, we doubt whether any general pronouncement may be ventured on the question of the range of oscillation. It was certainly greater in the last three periods than in the first two; but, on the other hand, in the last three periods it has steadily dropped.

One of the most important points to notice is the minimum of unemployment attained in each period. This marks, it might be affirmed, how nearly society can utilise the whole of its labour power, while the range of variation marks the extent to which production is affected by the trade cycle. The years when minimum unemployment was reached and the amounts in each case are therefore stated here.

1860 . 1·85	1872 . ·95	1889 . 2·05
1865 . 1·80	1882 . 2·35	1899 . 2·40

The year 1872, in consequence of Continental affairs, was one of quite exceptional circumstances.

When account is taken of the change in the *personnel* of the trade unions and of the character of non-union labour, we grow even more sceptical as to the truth of the allegation that industrialism is deteriorating in respect of its capacity to absorb the available labour of the community. It is probable that any gap that existed between the average efficiency of the unionists and that of the non-unionists, to the disadvantage of the latter, has been diminishing. Certainly trade-union organisation has become more exhaustive on the whole. The percentage of non-unionists out of work, therefore, has probably fallen in relation to that of unionists out of work. For this reason the percentage of trade

unionists idle might increase simultaneously with a decrease in the percentage of the population out of work. Professor Marshall, giving evidence to the Gold and Silver Commission, expressed himself as follows:—'I have been studying for many years the question whether the tendency of our modern forms of industry is not to increase irregularity of employment. I believe that it is not, and I believe that the statistical evidence brought forward to prove it is invalid.'[1] Again, as regards the percentage of unemployment of trade unionists, we must not ignore the demand for a fixed minimum wage by trade unions, their increasing insistence upon it, and their growing ability to enforce it.[2]

But, even if economic advance has been productive of a higher percentage of unemployment, it does not follow that persons suffering from increasing unemployment become any the worse off. The total wage earned to-day, even by those who are unfortunate in respect of the amount of time that they are compulsorily idle, is much higher than was the total wage of people who were steadily occupied in a simpler industrial *régime*.

The reasons for there being a seemingly irreducible minimum of unemployment we shall examine later; now we shall attempt to explain the oscillations in unemployment, and to discuss some proposed remedies. The chief causes of the oscillations are the trade cycles. If they could be measured they would no doubt be found to vary closely with the curves in our diagram on page 317. A multitude of curves which

[1] Q. 7816.

[2] This point is dealt with in detail on pp. 338–9.

reveal partially the effects of the trade cycle might have been traced upon the diagram to prove this, but as no one index is approximately perfect, and selection would have been difficult, we have left them to be inserted by any curious reader. It will suffice here to establish our position if we note in relation to the curves in the diagram the place of some of the most important incidents in recent trade cycles. The peak between 1860 and 1865 corresponds with the cotton famine; the next rise is coincident with the depression that arose out of the closure of Overend, Gurney & Co.: the towering pinnacle of 1879 marks the culmination of the series of disasters of which the failure of the City of Glasgow Bank was one of the most calamitous; the next rise begins with the American railway collapse; the McKinley tariff and the Baring crisis initiate the ascent which reached its highest point in 1893, and was maintained by such succeeding events as bad French and Russian harvests, and failures and a severe banking crisis in Australia.

The complete inclusion of all factors in the producing system of the country implies that a right balance is preserved between organising enterprise and the rest of the potential power of the community. For in a modern industrial society, which is highly complicated inherently, the quantity of self-employment is reduced to the narrowest limits. To work at all economically, a person must find a place in a system which, in view of the multiplicity of its parts and their involved inter-relations, has appropriately been likened to the organic type of constitution. It is essential, therefore, that the systems within which

work can be found should be adequate to contain the labour and capital of the community. The inclusion of capital we may ignore here, for the problem in relation to capital is much less difficult. The capital used in a country can be more speedily augmented than the labour power, and the contraction of the volume of the former causes normally less waste and distress than the contraction of the latter. It should be possible to maintain a fairly close correspondence between the supplies of capital and the need for it. Labour power, however, though extensible through the working of overtime and the temporary speeding-up of the rate of work, is not very elastic within the short period in any one country, that is, labour power taken as a whole. And it is only after long delay that any reaction upon a strengthening demand for labour can become effective. Now the projection of productive systems, we know, does not proceed uninterruptedly. *Natura non facit saltum* is not true of social organisation. Enterprise works spasmodically, but nevertheless in pulses which reveal a certain uniformity. After awakening from a temporary lethargy, gaining courage from successes, it tends to become bold, speculative, and finally rash. From being comparatively unresponsive to the solicitations of demand it leaps to the extreme of confidently assuming the creation of demand, and undertakes productive systems without due estimate having been made of the available factors in production. The result is over demand for labour and capital and a tendency for wages and interest to rise. By 'over-demand' is meant the operation of attempting to produce with a given quantity of producing power

more than it will produce. The rise in interest and wages administers the needful check. When the cramping effects of the over-investment of resources begin to be felt, the realising of securities becoming common, a collapse of the market naturally takes place, and in turn becomes extreme. Timidity succeeds caution; for many reap the fruits of rashness in the bankruptcy court, and a crop of frauds is usually exposed. In the pit of depression there is under-demand for labour—that is, for a time places are not provided for labour which could be employed at a profit. For a time there is actually no employment for large numbers of people whose proficiency would in ordinary circumstances secure them occupation. In a sense, of course, the majority of these unemployed are unemployable. Though good and bad labour alike are thrown on to the labour market by failures, the good experiences less difficulty in procuring other work, and reductions in staffs are made at the expense of the least efficient, that is, of those whose capacity and energy were not adequate to secure their retention in the productive system under the conditions supposed. But to speak of such persons as 'unemployable' is confusing, and it is highly important to separate the problem of the unemployable from that of the unemployment of the employable.

As regards the fluctuating army of unemployed who are efficient, we must distinguish between (a) the mitigation of the distress occasioned by it, and (b) the removal of its causes. We cannot reasonably look for immediate removal of the causes. They are chiefly psychological in all probability, and the nature

of the 'social mind' cannot be suddenly converted. But two cheering thoughts suggest themselves. The one that at any rate the social atmosphere at times of good trade is favourable to progress, because a spirit of adventure is abroad and new ideas are welcomed. The other, that there is said to be a weakening of the tendencies for economic hopefulness to become extravagant speculation and for economic depression to become despair. Appearances to the contrary may be attributable to improved agencies for bringing enterprise to bear upon affairs on a large scale. It has been remarked more than once by competent observers that depressions are less acute than they used to be. One cause undoubtedly is the development of credit. Oversanguine business communities used to be brought up suddenly with a jerk by shortness of cash—the coining of credit was impossible after the passage of the Bank Act of 1844—but of late the development of the cheque and credit systems has imparted elasticity to the volume of money in the country. Time has repealed the Bank Act of 1844. Society is checked to-day when it rashly undertakes more than it can accomplish with its available power, but it is checked gradually by the diminishing co-efficient of expansion of the elastic tether of credit, and not with a nerve-destroying shock. Whether the social character is becoming steadier or the reverse it is almost impossible to declare.

The temporary character of the periodic displacements of labour does not, of course, render them unimportant. Labour deteriorates rapidly through disuse, and the unemployed employable, therefore,

are in peril of sinking to the level of the unemployable. Unfortunately at times of depression the two classes rub shoulders, and there is more chance of social disease spreading in consequence than of social health communicating itself widely to the diseased.

Workpeople, it is said, ought to insure against periods of bad trade, and their wages are frequently such as to enable them to meet this obligation with ease. Many of them do, either through the trade unions or the friendly societies, or in effect insure by laying something by, but many do not, and not all the latter are persons of dissolute ways or weak character. The habit of saving has not yet become customary, and what people ought to do is no solution of a difficulty in times when it is generally left undone. No doubt we may expect from progress the deeper rooting and wider spread of thrift, if social schemes that would counteract it are not introduced. This would mean self-organisation in the matter of providence, and the benefits derived from self-organisation tend to be more lasting and cumulative than those conferred by social arrangements that are State imposed and State maintained. The natural solution enables society to push its development further and face hopefully new difficulties. We grow socially in proportion to what we can bear and the degree in which we can adapt ourselves to meet and withstand shocks. But the fact remains that private providence is not adequate to-day to cope fully with the distress caused by periodicity and uncertainty in employment. It is not astonishing, therefore, that

the subsidising, or even enforcement, of insurance appeals to many reformers as needful.[1]

Before discussing the principles of insurance against unemployment it will be desirable to describe the plans that have been tried to extend it. There appear to be three principal types:—

1. Voluntary insurance, State administered and subsidised by State grants or voluntary contributions.

2. Compulsory insurance, State administered and subsidised by State grants or voluntary contributions.

3. The subsidising under State direction of trade-union unemployment insurance.

The Cologne system, which we shall briefly sketch, is an example of the first type. It was established in 1896, and as it was designed chiefly to meet seasonal employment, its benefits are payable only from December to March. It is comprehensible, therefore, why most of the skilled workers having recourse to it are connected with the building trades; the proportion of skilled to unskilled among its members is roughly between 3 : 1 and 4 : 1. To entitle an insurer to benefits, thirty-four premiums ($3\frac{1}{2}d.$ for unskilled and $4\frac{2}{4}d.$ for skilled labour per week) must be paid, commencing on April 1. The benefits are 2*s.* a day for the first twenty days (nothing is paid on Sunday), and 1*s.* a day subsequently for not more

[1] By some of the more ardent advocates of insurance, it has been held that insurance against unemployment should be regarded as one branch only of a large general system of social insurance, the whole of which should be enforced or State provided, the other branches being (i) orphan insurance, (ii) old age pensions, (iii) infirmity pensions, (iv) sick insurance, (v) accident insurance, and (vi) insurance providing a sum sufficient to enable the workman and his wife to end their careers with a decent burial.

than eight weeks in all. Whilst out of work an insured person must attend at the office twice daily and must not refuse any work offered him, provided that its nature and the rate of pay be, as far as practicable, similar to the work done by the insured person and the wages received by him when in employment. The table beneath shows how the scheme is working.

—	1896–7	1897–8	1898–9	1899–1900	1900–1	1901–2	1902–3	1903–4
Number of persons with completed insurance	132	236	282	226	586	1,105	1,265	1,501
Number of persons who drew the allowance	81	108	112	142	425	803	964	1,105
Premiums received	£50	£111	£122	£101	£229	£627	£727	£1,001
Allowances paid	£118	£174	£167	£235	£967	£1,502	£1,440	£1,996

Thus we observe that about three-quarters of those who complete their assurance claim assistance, and that the assistance given (apart from the cost of administration) amounts as a rule to about twice the sum received in premiums. Mr. Schloss concludes his report thus : [1]—'That the office has been able to fulfil its obligations is entirely due to the very large subventions which it has received from the municipality of Cologne, and from philanthropic individuals, and from the interest the office has drawn

[1] Upon the question of insurance against unemployment our information has been obtained chiefly from Mr. Schloss' report to the Board of Trade on agencies and methods for dealing with the unemployed, Hyacinthe Cagninacci's *Le Chômage et les moyens d'y remédier particulièrement par l'assurance*, and the report of the French Conseil Supérieur du Travail on *Les Caisses de Chômage* submitted by its secretary in 1908, together with the discussion in the Council and its report (Publications of the Ministère du Commerce, 1908).

from the capital thus provided for it. By means of this assistance the office has been able to pay not only all claims due to unemployed insurers, but also to accumulate a considerable balance (5,682*l.* at the end of 1903–4). But it is abundantly clear that *whatever merits this scheme may possess, considered as a method of subsidising thrift by charitable subsidies, its claim to the title of insurance can only be admitted with very considerable qualifications.*' In 1903 Leipzig followed closely in the steps of Cologne.

The St. Gall (Switzerland) scheme, is of the second type. All whose average wages do not exceed 4*s.* a week must insure and others may insure. Premiums and benefits are fixed as follows:—

Daily Wage	Premium, weekly	Unemployed pay, payable for a maximum of two working days [1]
Under 2*s.* 4·8*d.*	1·4*d.*	1*s.* 5·8*d.*
2*s.* 4·8*d.* to 3*s.* 2·4*d.*	1·9*d.*	1*s.* 8·2*d.*
3*s.* 2·4*d.* to 4*s.*	2·9*d.*	1*s.* 11*d.*

In the second year of working the premiums paid amounted to 628*l.* and the allowances to 1,535*l.* No one received unemployed pay unless it was found impossible to offer him 'work suitable to the trade to which he belonged, or to his strength, remunerated by the wages current in the district.' It was originally intended that all male wage-earning workmen whose average daily income did not exceed 4*s.* should be obliged to insure. In reality various classes of workmen were released from the obligation: compositors, for instance, because their trade union insured them;

[1] In times of depression the pay of an unmarried man might be cut down to 9·6*d.* per day.

messengers, commissionaires, &c., because of the impossibility of ascertaining their earnings or unemployment; and postal, telegraph, and railway employees, because they only lose employment through their own serious misconduct. Great difficulty was experienced in inducing people to register, even though they were bound to do so, and when they had registered, there was further difficulty in securing payment of the premiums. The scheme was unpopular with the workmen, and after two years' trial it was discontinued. In numerous respects it had been imperfectly thought out, and it was badly administered. Mr. Schloss' conclusion runs:—'Altogether it may be said that the manner in which this St. Gall scheme was carried out was so unsystematic, and that in its organisation so much want of judgment was shown, that its value as an experiment is not great. So far as it goes, the experience gained in this attempt to induce compulsory insurance against unemployment can not be held to be favourable: though, of course, it may not be impossible that a different scheme, better administered, might be more successful. At the same time it appears sufficiently proved that the difficulties in the way of any such system must always be very considerable.'

Ghent since 1900 and Antwerp since 1902 have been testing the expedient of subsidising trade-union unemployed benefit, it being understood that no grants may be devoted to supporting those voluntarily out of work. This plan, as we shall observe, although endowed with imperfections peculiar to itself, is free from many of the defects which militated against the success of the devices tried at Cologne and St. Gall.

Schemes were adopted simultaneously for extending the same public advantages to non-unionists, in order to avoid the favouring of unionists and generalise the removal of distress consequent upon unemployment, though in both instances these adjuncts of the fundamental plans almost entirely failed to attract insurers.

Insurance against unemployment is a palliative and not a remedy. It merely prevents the suffering of the unemployed from being so acute as it would be otherwise. The waste of power remains, and the deterioration of efficiency that may be occasioned by anxiety and lingering idleness. It is obviously better, other things being equal, to diminish the average percentage of unemployment, if that be possible, or to concentrate the public demand for labour upon the times of slack trade, and so offset to some extent the effects of periodic depressions, than to ameliorate the conditions of the unfortunate while slackness of employment lasts. Neither course excludes the other, and insurance of some kind, broadly conceived, should be practised, even when all that can be done to reduce the average numbers out of work has been done.

To ordinary insurance against unemployment there are, however, many grave objections. The risk covered is far from being evenly distributed over all trades. Hence, under a voluntary system, only those will insure who are particularly liable to unemployment, unless the population is classified and a dozen or more schemes are introduced. And under a compulsory system the same complexity of arrangement would be essential, since without it many would be

compelled to insure who incurred but slight trade risk of losing their work. This dilemma remains, even if unemployment may be taken as a true insurable risk. But may it? Unemployment depends as much on the person as on the trade, and it cannot be expected that the foreseeing or industrious should be willing to pay for the more careless or less diligent. Most unemployment is caused at the margin of each class of labour, where efficiency, steadiness, and application are lowest, and it continues longest among the least enterprising. Hence to arrive at a basis for insurance with risks spread with approximate evenness, it would be requisite to classify the population by capacity and moral force as well as by trades. Again, the personal equation as an element in the problem undermines the actuarial bases, supposing them to be discoverable, and transforms insurance against loss of work into a cause of it which cannot be taken as negligible. It would be practically impossible to determine whether a person was reasonably anxious to keep a place or was seeking occupation with the proper degree of energy. On the other hand, it is not very probable that the effect of life, fire, or marine insurance upon the disposition of persons to take precautions significantly increases the death rate, or the number of fires or shipwrecks. This objection applies even against the position of those who argue merely that any contributions obtained from operatives when in work against their support in slack times is so much gain, since, in any event, they cannot be left to starve. In its presence, the absence of any satisfactory figures for providing an actuarial basis becomes an insignificant consideration.

Again, it being practically impossible to distinguish between unavoidable unemployment and that which is voluntarily assumed, the assurance might be used in some degree by the trade unions to support them in their claims as to wages. It is true that a labour exchange is generally recognised as an essential part of every independent insurance scheme, but it is no easy matter to come to agreements as to the kind of work and the rate of wage which a person on allowance is not permitted to refuse. The officials do not want to drive a man into accepting unsuitable employment against his better judgment, and unwise interference with the individual's freedom of choice must be avoided, but if work at the insured person's old trade at trade-union rates is insisted upon, the insurance organisation may be enlisted on the workmen's side as a force to settle the rate of wages. On the other hand, the trade unions will not consent to the insurance plan operating to reduce wages. Operatives might be dismissed with a view to their being recovered through the labour bureau at diminished wages.

Any conflict with trade unionism is avoided by the subsidising of trade-union unemployed benefits, arrangements being made at the time, as has always been done in cases of this kind, for non-unionists to enjoy equal public advantages, so that unionists may not be favoured and the benefits intended may be spread more widely. But under this plan the decision as to the kind of work that must not be refused must almost inevitably be relegated with few restrictions to the trade unions. Their policy, therefore, as to wages is ordinarily afforded public support, though in

open strikes and lock-outs no subsidies would be allowed.

The more we examine the schemes that have been worked, the question of the insurability of the risks dealt with, and the possibility of isolating them, the more surely we find ourselves driven to the conviction that ordinary insurance against unemployment is impracticable. This M. Cagninacci denies and points in support of his view to the successful work done by the trade unions.[1] But trade unions do not engage in ordinary insurance against unemployment. It is only their peculiar circumstances which enable them successfully to pay unemployed benefits. Trade unions are in the best position to distinguish between voluntary and involuntary unemployment. They find their members places and expect them to be reasonably capable of keeping them. Moreover, they exist to support strikes. And unemployment pay is regarded as of so much importance that it is usually among the last to be cut down when funds are being rapidly depleted. 'The main object of an individual member may be to provide himself against the personal distress which would otherwise be caused to himself and his family by the stoppage of his weekly income. But the object of the union, from the collective point of view, is to prevent him from accepting employment, under stress of starvation, on terms which, in the common judgment of the trade, would be injurious to its interests.'[2] The individual is not

[1] In his *Le Chômage et les moyens d'y remédier particulièrement par l'assurance*, 1908. He inclines to the Ghent general type of subsidised insurance. All private efforts, he thinks, should be subsidised. He is opposed to compulsory schemes.

[2] Webb, *Industrial Democracy*, ed. 1900, p. 161.

tempted in the same degree to get as much as possible when he is paid by his union as when his benefits are procured from some other institution and are in part gifts. And the self-interest of his fellow-members in the union, which exists also for other purposes, would prevent him from preying upon it.

Because of their exceptional position, the trade unions of England have been most successful in aiding the unemployed. For the twelve years 1892–1903 the 100 principal trade unions expended 18,700,000*l.* in all, of which 4,200,000*l.* or 22·3 per cent. was attributable to unemployment benefit. It is significant that a rough average for the last twelve years shows that 1,000,000 workmen are insured by the principal trade unions at a weekly cost per member of 2*d.*, which is considerably less than the costs of the schemes examined above, though it secures higher benefits. We may compare with this German experience. The *Gewerkschaften* (trade unions of the Social Democrats) separate their payments for unemployment from other payments. For the years between 1898 and 1902—we take the short period of five years only, as these societies have been developing rapidly—40,000*l.* was spent in unemployment benefit on an average membership of 645,000. The cost was therefore little more than one farthing a week per member, which is really an indication not of steadiness of employment, but of the undeveloped insurance against unemployment in the *Gewerkschaften.*

In France, according to the report made to the Conseil Supérieur du Travail on *Les Caisses de*

Chômage in 1903, the amount of insurance against unemployment is much less than in England. In 1902 about 30,300 people in the former country were insured for this purpose in workmen's societies (almost all of which had been established by trade unions) at a cost of less than 8,000*l.*, or 9,000*l.* with expenses of administration. The charge per member was less than 1½*d.* per week, but the average contributions were only about half as much. It is probably in some measure because of the slight degree in which voluntary insurance against unemployment is practised in France that the Conseil Supérieur du Travail, after considering the report submitted in 1903, made the recommendations that follow:—(1) that insurance against unemployment should be encouraged; (2) that a national compulsory system ought not to be undertaken; (3) that satisfactory voluntary systems should be subsidised by municipalities, the subsidy being less than the contributions of members; (4) that the maximum unemployed benefit should not exceed half the normal wage, and that separate accounts should be kept of contributions and payments for unemployed benefit. In 1904 there were added to these recommendations (5) that the State and departments should assist with subventions institutions covering several localities (a view from which the Conseil had specifically dissented in 1903), and that generally the State should encourage and assist financially the creation and development of insurance against unemployment, and (6) that such institutions as general councils, chambers of commerce, and employers' associations, should also help this kind of providence, and

that employers should co-operate.[1] Since 1896 Limoges and Dijon have subsidised legally constituted local unemployment insurance societies (*Caisses de chômage*).

Public bodies might perhaps accomplish something in the way of mitigating the effects of cyclical unemployment by keeping back work that does not press. At any rate, they should be on their guard against allowing their demand for labour to vary cyclically and directly as the market demand. It is a difficulty that much of the unemployed labour might not be of the kind required for the deferred work, but, in respect of the work which they had to offer, public bodies by acting in this way would smooth demand, and some part of the occupation provided by them might be suitable for many workmen to turn to at a pinch. Public bodies might even find it advisable to set on foot works of some utility, at which a low wage could be earned in times of distress, but for reasons largely political, and in consequence of such experience as has already been gained, we doubt whether such works should be under the direct control of the municipal authorities or County Councils. Special bodies might organise the work, which could be done for the local or national governing institutions.

It would be essential that all such work should be paid for at rates beneath the normal level. In the first place the economic character of the undertakings must be emphasised: the more they can be regarded as worth their cost to the community the better, and

[1] See report of 1908 already mentioned and report of twelfth session of the Conseil Supérieur du Travail, 1904.

ex hypothesi they are not pressingly needed. Again, the lower the wage, the greater would be the volume of work of this nature forthcoming. And it is extremely unlikely, it must be observed, that hands so engaged will meet with tasks for the performance of which their training fits them closely; their efficiency, therefore, at the distress work will be beneath their normal efficiency.[1] Again, although the unemployed that we have in mind are employable, they are only just employable, because industry when it dispenses with labour makes its reductions at the margin. The average efficiency, therefore, of those placed at distress work must be low, however it be judged, and the employing bodies, consequently, cannot hope to recoup themselves for paying one man a little more than he is worth by getting from another man a value a little in excess of his wage. Distress work is liable to be comparatively uneconomical on the side of organisation also. It may have been hastily designed, and in any event time for the organised factors to settle down into the best arrangements will be lacking. In the next place, it is desirable that those for whom the work was created should be drawn back into the main industrial current as soon as possible. Their re-absorption at the earliest possible moment would be insured if their temporary work were much less remunerative than their permanent work had been.

[1] By a person's efficiency we mean his actual effectiveness, whereas by his capacity we mean his power to be efficient given certain conditions (his potential efficiency). The labour of two given countries may be about equal in capacity, but the labour of the one may be more efficient than that of the other, owing to the 'economic spirit,' or education, eliciting more from the potential powers of the community.

If any assumed semi-responsibility to provide temporary work became an obligation to find work permanently at ordinary wages, several disadvantages would result. Ratepayers would be compelled, by means of taxation, to resign what they wanted the more for what they wanted the less. Further, the power to cope with unemployment at the next recurrence of bad trade would be diminished: more and more economic functions could not be indefinitely assumed by local or State authorities.

To the plan outlined above, so far as a low rate of wages is implied, objections have been raised by trade unionists. Trade unions have now for some years been pressing the policy of 'the living wage.' Broadly conceived, this is the policy which aims at steady, as opposed to oscillating wages. A standard rate is recognised for a period, and the trade unions are jealous to preserve it. It is argued that, if wages fluctuate much, the workman will never know clearly what his position is; moreover, that it will be difficult for him to make a stand, because when the wage leaps about bewilderingly, his control over it tends to be shaken off.[1] There is a fear, therefore, concerted resistance being weakened, that the centre of wage oscillation may settle low. And it is very hard, trade-union leaders think, to screw wages up again once they have subsided. So the trade unions declare deliberately that, as far as they are concerned, bad trade shall mean more unemployment rather than lower wages. Employers are not to be allowed to coax back failing demand by lowering prices at the expense of wages. Moreover the attempts of trade

[1] The disadvantages of a fluctuating wage are considered on pp. 219–21.

unions to force up standard rates, as well as to prevent them from falling, must not be overlooked as one of the occasional causes of unemployment. Mistakes must be made from time to time in the collective bargain, and if they cause the marginal wage to be pitched above the marginal worth of labour, a reaction in the form of a reduction in hands will necessarily take place. It is not unfair, therefore, to assert that the action of the trade unions creates some of the temporary unemployment. Engagements are on offer, but at a price which the men refuse, and many operatives are therefore destitute of work voluntarily.

The policy of the trade unions may be wise, but nevertheless the taxation of the community to support it would be a highly questionable proceeding. And, it being assumed that the trade unionists are right in insisting that a standard wage should be a first charge upon an industry, there is surely small fear of their efforts being counteracted merely through work being publicly provided at less than the standard rate in order that distress may be relieved.

It has further been objected that the plan sketched means that public bodies compete against private enterprise at a time when the latter can stand it least and thus cause further shrinkage in the demand for labour. In response it may be urged that in so far as the work would not otherwise have been done at all, it does not compete with production already organised, and that in so far as it would have been done at some time it benefits everybody concerned that the demand is not made effective when there is pressure of work.

The Committee of the Charity Organisation Society on the relief of distress due to want of em-

ployment in 1886 formulated some judicious recommendations as to relief work. They were as follows:—

'The wage should not be a "charity wage."[1] The best methods of payment are by contract, or "measured work," or by scale. To other than works done on contract men should not be admitted without sufficient inquiry or a trustworthy recommendation. Unless this precaution be taken it will be of little use to open works. The supervision must be strict. There should be a division and subdivision of the works. The men should be employed in small gangs, and those unaccustomed to rough labour be mixed with the more skilled workmen; and the manager must have the power of summary dismissal, and receive the support of his committee in a reasonable use of his power. It is very important that works should not be opened unless there is a clear necessity for them. They should not be allowed to become the ordinary resource of the labouring poor.'

The last paragraph approaches a point that has been constantly emphasised by the Charity Organisation Society, many members of which are fearful lest a 'feeble and dependent spirit' should prevail, or people should relax their efforts to provide for themselves in the assurance that the State or the municipality would if needful find them work.

The following is a précis of some information given in 1904 to the Committee of the Charity Organisation Society, already referred to, by Mr. Toynbee and Mr. Angel, as to the provision of relief employ-

[1] That is, it should be determined by the value of the work done, as we have urged above.

ment at Bermondsey. It is quoted as a good concrete expression of the kind of experience to be met with in undertakings of the kind.

At Bermondsey the surveyor was instructed, if necessary, to put on more men to clean the streets, and the scavenging staff was largely increased from early in January to nearly the end of March. Besides this chiefly sewering work was undertaken. The men were dealt with in two groups. The names of some were entered on a list. The list was made up of men who entered their names at a kind of impromptu employment bureau. The names of the other group were not entered on a list; they were taken indiscriminately and put to work in sweeping the roads. In the case of the registered men, inquiry was made by an officer specially appointed for that work, and paid 30*s.* a week—which proved an economy in the long run. The conditions for giving work were: twelve months' residence in the borough, preference to be given to married men; as far as possible employment for not less than three days a week.

The applications of 1,595 men were investigated, and of these 647 were rejected on various grounds; 90 gave wrong addresses; 4 public-house addresses; 116 lived in common lodging-houses; 24 lived outside the borough; 413 gave false information, or wanted permanent and not casual work, or were physically unfit. On these grounds 40 per cent. of the applications were set aside. To 207 men work was offered; but of these 37 did not respond to the offer. Thus out of the 1,595 applicants, 170, or about 8 per cent. only, eventually received the offer of employment and accepted it. When it was known that inquiry would be made, the number of applications fell off.

. . . . . .

The work was not created, but was anticipated; that is, the work of the next year or so was forestalled in order that it might be available for the unemployed. Under normal circumstances men accustomed to navvying would have been

employed on the sewering work, but, owing to the distress, that work was given to the unemployed; and so far, local employment of that description was made less regular for those usually engaged on it.

The men were unfamiliar with the work, and did it very slowly. But they seemed to do their best. There were comparatively few dismissed. The men were of all trades, 'not accustomed to using a pick and shovel and burrowing the earth. It was very hard work for them, and they did it very slowly.' Employing them rather demoralised the regular men. 'As a rule, if you have a gang of men, they all take the lead from the slowest men in the gang.' On every job there was one of the regular gangers of the borough, and a foreman.

The average loss on employing the men was 15 per cent., but sometimes it was much larger. Thus, on one job, which should have taken ten weeks, after eight weeks little more than a third was done, and the whole of the estimated charge for labour had been expended. 'The employing of unemployed labour of this kind is a very expensive thing.'

The relief-wage was 5*s.* a day or 15*s.* a week for three days' work—6*d.* an hour for 10 hours, the same as the wage payable to men on the regular staff. A man's turn came round roughly once a fortnight. Many of them probably could not have earned so much. 'In a lot of the trades they did not get 30*s.* a week.'

It was admitted that by providing employment year after year the borough council was becoming a poor-relief authority, and also a casual employer, by furnishing work for men who were by reason of their trade out of employment every winter—waterside and dock labourers, for instance. 'People regularly out of work will look to us to help them.' Whether the men found work when the relief employment came to an end was not known.[1]

[1] The Report of a Special Committee of the Council of the Charity Organisation Society on the relief of distress due to want of employment, 1904, pp. 26–8.

For comparison with this account of distress work, the experiences of other places might usefully be quoted. The descriptions beneath of distress work at Camberwell, Islington, and Poplar have been extracted from the report of the same Committee of the Charity Organisation Society:—

Applications were received from 1,189 men, of whom 658, or about 55 per cent., were recommended. All these had one turn—that is, three days' work; 534 had two turns, 34 three turns. Thus 94 per cent. of the selected had no more than six days' work in the winter, earning altogether about 28*s.* 6*d.* A large number of the men were connected with seasonal employment, chiefly with the building trades.

The inquiring included a visit to the home, and report from the late employer, and where necessary a reference at the previous address. The selection was by individual character and the extent of distress. 'If the men had been in very good work which were found to be well-paid work during the summer, they were stood aside.' Of those not recommended, one-third or more were considered not to require outside help, as the incomes of their families taken as a whole were sufficient. One-third were 'stand-over' cases, to be employed if further need arose and further work was forthcoming. One-third were thriftless or shiftless or loafers.

The relief-wage was 4*s.* 9*d.* a day—the ordinary wage paid to men employed by the borough council.

. . . . . .

The borough council in previous winters had received applications for work at their depôts and had been employing anyone who applied. In the winter of 1903–4 they voted 2,000*l.* to give the unemployed work on the roads. 'The roads had been starved and had got into a terribly bad condition.' Of the 2,000*l.*, 1,500*l.* was spent on materials, steam rollers, etc., leaving 500*l.* for wages. When the unemployed committee was formed the works committee decided that preference for work should be given to people recommended by it who had lived six months in the borough,

and eventually all applications were referred to the committee for investigation.

The applications received by the committee numbered 1,033. Of these (apart from 76 not classified) 362 were dismissed as unsatisfactory or not in pressing need of relief; 160 were relieved by the sub-committees; and 435 were recommended for employment. A large number of these probably received relief as well. 213*l.* was privately collected for relief purposes. The relief consisted of relief in kind, and also in the payment of rent, in getting tools out of pawn, etc.

During the months of February and March 600 'unemployed' people were employed by the borough. They had each three days' work at 5*s.* a day. Of the 435 recommended for employment only about 350 were employed. The greater number of the men recommended were physically unfit, 'some being exceptionally unfit, and others being weak through want of food. One-fifth to one-third of the men were equal to the council's regular employees. A small residuum showed no inclination to do more than they were obliged.'

. . . . . .

Between March and November 4,021 were registered; work was given to 3,300, or 82 per cent., of them. All of these had one three-day turn in the course of the winter; and 1,323, or 40 per cent., of them had two turns, or (296) more than two turns.

The wage for a three-days' week varied—12*s.* 9*d.*, 14*s.* 3*d.*, 15*s.* 9*d.*; 3,506*l.* was spent in wages. The work was of a necessary character. The extra cost, owing to its being done by the unemployed, was 1,200*l.*, or 52 per cent. This was, it is stated, 'entirely due to the men being unused to the work, and in many cases physically unfit.'[1]

The commonest defects to which unemployment relief is liable might be classified thus:—

[1] A satisfactory sketch of what has been done in the way of finding work for the unemployed in various countries will be found in Cagninacci's *Le Chômage*, chapters iii. and iv. See also *Report on Agencies and*

(1) The imperfect separation of the employable of good character from the unemployable and loafers.

Methods for dealing with the Unemployed (Labour Department of Board of Trade), 1908. By the Local Government order under the Unemployment Act of 1905 the conditions under which a Central Body may provide or contribute towards the provision of work shall be as follows:—

(i) Where the Central Body provide or contribute towards the provision of temporary work for any person, the Central Body shall employ or arrange for the employment of the applicant on such terms as will enable them to enforce, and they shall, as occasion requires, enforce the observance of the following restrictions, namely:—

(*a*) That the work shall have for its object a purpose of actual and substantial utility;

(*b*) That each person employed on the work shall throughout his employment be subject to effectual supervision;

(*c*) That each person employed on the work shall perform every task allotted to him with diligence, and shall throughout his employment attain a standard of efficiency such as, with due regard to his ordinary calling or occupation, and his age and physical ability, may properly be required of him;

(*d*) That each person employed on the work shall, as far as possible, be afforded continuous occupation thereon day by day, with such absence only as may be needed to facilitate his search for regular work or other means of supporting himself;

(*e*) That where the Central Body provide or contribute towards the provision of temporary work necessitating, during a period or a succession of periods comprising in each case four consecutive days at the least, continuous absence from home of the person employed, and he has a wife, child, or other dependent, the Central Body shall satisfy themselves that the cost of the lodging and maintenance of the wife, child, or other dependent, will be defrayed by deduction from the remuneration of the person employed, and that he has made or will make every such agreement or arrangement as may be needed to give full effect to this restriction;

(*f*) That where the person employed has no wife, child, or other dependent, or has a wife, child, or other dependent, but is not employed on temporary work necessitating, during a period or a succession of periods comprising in each case four consecutive days at the least, his continuous absence from home, the total remuneration of that person for any given period of continuous work shall be less than that which

This is a defect which undermines the operation of the Poor Law. If Poor Law administration is un-

would under ordinary circumstances be earned by an unskilled labourer for continuous work during the same period in the place at which the work is provided; and

(g) That where the person employed has a wife, child, or other dependent, and the remuneration of that person is subject to deduction for the purpose of defraying the cost of the lodging and maintenance of the wife, child, or other dependent, the total remuneration of the said person for any given period of continuous work shall be less than that which would under ordinary circumstances be earned by an unskilled labourer for continuous work during the same period in the place at which the wife, child, or other dependent is lodged and maintained.

(ii) Where the Central Body contribute toward the provision of temporary work, their contribution shall be made on terms which will enable them to exercise, and they shall, as occasion requires, exercise the right to withhold the contribution or any part of the contribution on proof to their satisfaction that any restriction mentioned in Condition (i) has not been observed.

(iii) Where the Central Body provide or contribute towards the provision of temporary work in any particular case, the Central Body shall cause all such facilities as, in their opinion, are reasonable to be afforded for the purpose of putting the person for whom temporary work has been provided in a position to obtain regular work or other means of supporting himself.

The Central Body, when satisfied that a person for whom temporary work has been provided has neglected to make proper use of the facilities afforded for the purpose of putting him in a position to obtain regular work or other means of supporting himself, or that the person has, without reasonable excuse, neglected or refused to avail himself of an offer of regular work or of other means of supporting himself, shall put an end to the provision of temporary work for that person.

(iv) The Central Body may, in the case of a person for whom temporary work has been provided, put an end at any time to the provision of temporary work for that person, and shall in no case continue the provision of temporary work for more than sixteen weeks in any period of twelve months except with the consent of the Local Government Board.

(v) The Central Body shall contribute towards the provision of temporary work in those cases only in which the work will be provided by a local authority or Public Body.

(vi) In every case in which the Central Body provide or contribute

satisfactory, it should be reformed, but certainly its efforts should not be nullified by the institution of another authority endowed with new funds to compete with it.

(2) The fixing of the rate of pay too high.

(3) The creation of work indistinguishable from the labour test. It is desirable that the work found by any public body other than the guardians should be reasonably 'productive' and undertaken in some degree on account of its productiveness.

(4) The irregular and accidental provision of employment, which therefore tends to operate as a dole. Many schemes have suffered in design from hasty inception, and the work has in consequence been snatched at as an offer which might be withdrawn at any moment. Distress works for exceptional unemployment, if they are to differ from Poor relief protected by a labour test, must be organised beforehand. It is better that moderate numbers of unemployed should be 'naturally' absorbed by public works when the demand for labour, whether general, local or special, slackens than that many more should be helped indiscriminately and in a manner which is more likely to be pauperising. It is highly desirable that relief works should be so located as to ensure the withdrawal of those making use of them at the earliest opportunity on the recovery of their trades. This

> towards the provision of temporary work, the provision of temporary work shall be subject to this Regulation, and the conditions specified in this Regulation shall form part of the terms and conditions of the employment of any person under the Act or these Regulations.

The 'Central Body' may be the distress committee itself. For a sketch of the Act of 1905 see pp. 869–71.

rule would become of less importance were a well-organised system of labour exchanges in operation. The labour colony, therefore, is not a suitable place as a rule to set at work the class of unemployed that we now have in mind. It seems far more appropriate (*a*) as penal; (*b*) as providing some work for the unemployable; and (*c*) as a rescue institution for restoring to efficiency the capable who are temporarily incompetent owing to distress, idleness, or bad habits. Of labour colonies we shall speak again and more fully.

It is apparent from the figures already referred to in this chapter that the quantity of unemployment never disappears entirely. There is an irreducible minimum of unemployment, 'irreducible,' we mean, as judged from the standpoint of present conditions, but not necessarily irreducible under conditions which might conceivably be brought about. From the source of some of our figures it is manifest also that of the employable alone there is a large irreducible percentage unemployed. It is important to distinguish sharply between the unemployable, the employable who are anxious to get work, and the employable who prefer loafing. The last class is probably very small, as its members soon become inefficient. By 'unemployables' are meant those who are unable to secure or retain a sufficiency of work to enable them to support themselves because of the weakness of their productive powers.

Many of the most popular views upon the problem of the irreducible minimum of unemployment among

the employable derive their origin from analysis which appears to us to be inadequate or incorrect. It is sometimes suggested that increased competition, that is increased alertness in discovering the value of factors in production, and the best uses to which they may be put, and increased alacrity in acting upon each such discovery, must result in the permanent displacement of some labour. It is far more likely that its outcome will be a more complete and more appropriate application of the available labour in the community. It is true that the slackness which characterises the stagnant community may leave persons for a long period in the receipt of incomes representing more than they are worth, and it is true, therefore, that competition would cause a reduction in their wages or their removal to another range of tasks. But at the same time in such a community there would be persons earning less than they were worth. More competition on the employing side would increase displacements, because the search for the best means to an end would become keener; and more competition on the side of employees would have the same effect because more strenuous efforts would be made by them to discover and reach the offices which suited them and paid them best. But to augment the quantity of displacement is not to augment the quantity of lengthy unemployment, for the very forces which create the additional displacements induce the reabsorption of the labour displaced. And it is hardly likely that more competition will bring about a better disposition of the old percentage of the population normally employed without increasing it. Rather, we should say, it is the im-

perfect development of competition, broadly conceived, in relation to the intricate economic circumstances with which it has to cope, that accounts for proficient people being without occupation. Were there never defect of enterprise, insufficiency of information and delays in execution, means would never fail for setting 'employables' to work. The very use of the term 'employables' implies that this must be so.

Certainly we grant that there are conditions associated with economic development tending to increase the percentage of unemployment as well as others tending to diminish it. The productive system has become so extremely complicated a unity with such highly specialised parts that it is not easy for a person to find his place in it. Moreover, it is the disposition of an economic system which has reached a high level of vitality to be perpetually changing. Alterations are occasioned by new demands which producers must adapt themselves to meet: they are necessitated also by new productive methods—new inventions, new forces, new ideas.[1] And even were demand rigid and the method of production stereotyped, society would not be stagnant in the sense of being devoid of internal movement. Factors in production would still find it incumbent upon them to work their way into their most appropriate groupings; and the fact that there is a new generation always growing up would prevent a completely satisfactory end from ever being fully attained. It being inevitable, therefore, that the process whereby labour is discarded from some tasks and attracted to others should

[1] The effect of new machinery on the demand for labour is fully discussed on pp. 157–67.

be continuous, and that the discovery in a complete organic system of the demand that a particular workman is capable of satisfying should be difficult, it is not surprising that the body of unemployed employable labour is never wholly dissolved. The cause is change, and what might be termed the 'time-lag' or 'reaction time' peculiar to economic readjustments, which seems sometimes to approximate almost to infinity in the case of the inert mass of casual labour. But it is not true that there exists in all states of trade a permanent army of capable unemployed people whose *personnel* over a short period remains comparatively unvaried. Such permanence as characterises the body is the consequence of the fact that the workman who leaves a position must seek employment for days, or weeks, or months, before he succeeds in finding it. The duration of his search varies, *ceteris paribus*, with the scope of the tasks that he can undertake. Given the habit of thrift, and wages sufficient to maintain it, unemployment of the sort just analysed need not mean distress. But it always involves waste. It is, therefore, a social problem of the first magnitude to discover how to diminish this residual unemployment.

Some writers try to persuade us that the introduction of labour-saving machinery is a contributory cause of unemployment. But in itself—that is, apart from any temporary dislocation occasioned by the rapidity of its introduction—there can be no question that it must tend to remove it. In all communities there are persons whose efficiency is so low that they are incapable of supporting themselves, at any rate according to the standard of decent living of

the times, and advancement in methods of production—that is, the introduction of more economical systems—would transform a number of these 'unemployables' into self-supporting labour. For it is so obvious a proposition as hardly to require enunciation that the more perfect the instrument the more effective becomes the labourer. A man who might starve were he compelled to sustain himself by spade culture might be enabled to support himself easily after the invention of the plough. The threshing machine, sowing and reaping machinery, the productive use of steam, the loom, spinning machinery, machine tools—in short, the development of implements of whatever character—can have had no other effect in the long run than to raise progressively the earnings of the efficient and to find progressively within the ranks of industry offices for those who had previously been stamped as inefficient. It must be admitted, however, that, inasmuch as economic improvement takes place not continuously but in spurts and bursts, temporary dislocations occur, on account of which some workers may suffer in short periods. And yet statements such as the following, without its note of hesitancy, are constantly met with: it is quoted from the Report by the London County Council in 1903 on lack of employment: 'If it is a fact that there does not exist sufficient work in the country to afford employment for the whole population, that circumstance alone appears to warrant a consideration as to whether the reduction of the hours of labour to a reasonable limit, in the interests of industry and labour alike, is not a matter of the highest importance.' The fallacy inspiring this

passage has already been exposed,[1] but we find it proposed again and again, nevertheless, that municipal authorities and the Government should make permanent—not merely temporary—work for the efficient unemployed. It must surely be self-evident that the problem could not be solved once and for all in this way, and that were public bodies to engage permanently all the employable unemployed to-day, there would be as many unemployed again in a very brief space of time. Manifestly, the only possible means of reducing finally the number of such unfortunates, so far as they are employable, is to cut down the social time-lag. It must be made easy for operatives seeking work to find it, and those wanting labour must be helped and hastened in their search. To shorten the average interval between the loss of one job by a workman and the finding of another is of far greater value than to produce the same effect on the numbers left without work by providing temporary occupation. We shall now push our general reasoning to details under the two related headings of labour exchanges and the de-casualising of labour.

It would seem that there is much room for improvement in the means by which demand and supply are brought together in the labour market. A movement to bring about this improvement by the establishment of labour bureaux began in Germany some years ago. The broad lines of its growth are thus sketched by Mr. Schloss:[2]—'In 1865 there was

[1] See pp. 162–7.

[2] P. 75 of his Report to the Board of Trade on the Agencies and Methods for dealing with the Unemployed in Foreign Countries.

established the Public Registry of Stuttgart, in 1874 that of Cologne, in 1883 that of Berlin, in 1889 that of Hanover, in 1890 that of Düsseldorf, in 1891 that of Carlsruhe, in 1892 that of Freiburg in the Breisgau. To the year 1893 date back the Public Registries of Hamburg, Darmstadt, Schopfheim, Mannheim, and Augsburg; while to 1894 date back no less than 8; to 1825 as many as 23; to 1896, 12; to 1897, 8; to 1898, 9; to 1899, 9; to 1900, 11; to 1901, 5; and to 1902, 2. This makes a total of ninety-nine public registries in existence at the end of 1902. In the *Arbeitsmarkt* of May 15, 1904, there is given a list of 136 German labour registries of various types, of which no less than ninety-two are stated to be registries maintained by public authorities, including four employment agencies maintained by chambers of agriculture.' An association, of which all the public bureaux are members, has been formed; it is this organisation which has published since 1897 the bi-monthly journal referred to by Mr. Schloss in the passage just quoted, the *Arbeitsmarkt*. Conferences are occasionally held by the association, and the proceedings are set forth in the *Schriften des Verbandes Deutscher Arbeitsnachweise*.

On an average more than a million places a year are filled in Germany through the agency of the public bureaux. But Conrad points out[1] that the field still left unworked by the public labour exchanges is immense, if, as Dr. Möller has estimated, about 5,000,000 cases of unemployment are created each year, which constitute 8 per cent. of the German

[1] *Organisation des Arbeitsnachweises in Deutschland*, p. 805.

population. Dr. Möller's figure receives some confirmation from the Massachusetts industrial census of 1895, which showed that the workpeople who in that year had been out of work at all were a little in excess of 10 per cent. of the population. The percentage should be higher in industrial Massachusetts than in the German Empire as a whole. Though the bulk of labour in Germany is still brought into employment through the agency of personal inquiry, advertisement, and the old bureaux—a mixture of unrelated systems and want of system—the influence of the public exchanges is growing, and their way will soon be won, especially among the masses who are now without organisations.[1] Labour registries maintained by the trade unions, gilds (Innungen), and employers, together with private offices, existed in Germany before the movement for the development of this machinery was felt, but it is now commonly recognised that the work done was too sectional, isolated and incomplete, to be satisfactory. Hence the appearance of the public registries (which are supported locally and by State subvention, and are popularly controlled), and the ultimate federation of the various registries into far-spreading systems. There are now seven federations, namely, those of Baden, Wurtemburg, Bavaria, the Government district of Düsseldorf, the Rhein-Main Union, the Government district of Liegnitz, and the province of Brandenburg. The working of a federation (that of

[1] See, for instance, the results of an inquiry covering 1897–9 which are quoted on pp. 69–74 of Schloss' Report. Mr. Cheetham says, 'It would have been more satisfactory if the picture had been a more recent one, but the general lines remain the same.'

Wurtemburg, comprising fourteen municipal labour offices) is thus described by Mr. Cheetham:[1]—

'Each local registry sends on three days in the week to the head office in Stuttgart a list of the situations open and the applications which it has been unable to satisfy. This is so arranged that the lists all arrive at Stuttgart at 6 P.M. In two hours this material is put together by the central office and posted. The next morning the general list, giving a complete review of the labour market in the whole of the State, is in the hands of the registry authorities throughout Wurtemburg. All places with more than 2,000 inhabitants are provided with a copy. The general lists are exposed at a spot where any member of the community can inspect them and see for himself where is the nearest situation that will suit him. The State Government pays for the forwarding of the lists, for the printing, and for telephone expenses, as well as the salaries, or part of the salaries, of the officials who prepare the lists, both locally and in the central office. The Government also pays half railway fares, as in Baden, and communicates the lists to the labour bureaux in Bavaria and Baden. Wurtemburg is the best instance of centralisation, but the same system would, perhaps, for geographical reasons, not be so possible in Baden.'

As an example of good systematisation the Bavarian scheme may be described:[2]—

'The kingdom of Bavaria is divided into eight districts (corresponding to the eight provincial gover-

[1] Quoted on p. 66 of Mr. Schloss' Report to the Board of Trade already referred to.

[2] See pp. 91–2 of Mr. Schloss' Report.

norships), for each of which there is a central municipal labour bureau established in the principal town, and operating as a clearing-house for all the municipal or municipally subsidised labour bureaux of the district.

'The towns, in which these central labour bureaux are established, the districts for which they operate primarily, and the number of the outlying labour bureaux acting in conjunction with them in each district in 1902, are shown in the table below :—

Town at which the Central Labour Bureau is Situated (with Population in Thousands)	District for which the Central Labour Bureau Operates (with Population in Thousands)	Number of Outlying Labour Bureaux Co-operating with Central Bureaux
Munich (500)	Upper Bavaria (1,828)	7
Nuremberg (261)	Central Franconia (815)	5
Augsburg (89)	Suabia (714)	2
Würzburg (75)	Lower Franconia (650)	6
Kaiserslautern (48)	Palatinate (881)	6
Regensburg (45)	Upper Palatinate (553)	5
Bamberg (42)	Upper Franconia (608)	10
Straubing (18)	Lower Bavaria (678) (Total population of Bavaria, 6,176)	4
	Total	45

'Thus, including the eight central institutions, we find a total of fifty-three municipal or municipally subsidised labour bureaux in Bavaria—that is to say, one bureau, on an average, to every 550 square miles, and every 116,500 inhabitants.

'It must be remembered, moreover, that each of the forty-five outlying bureaux acts as an intermediary between a group of small rural parishes and the district clearing-house bureau. Each of the last-named institutions directs its efforts primarily to the

adjustment of the labour supply and demand within the particular district assigned to it.'

In Luxemburg post offices have been made labour exchanges. The Luxemburg scheme, it is worthy of note, was awarded a gold medal at the Paris Exhibition of 1900.

No fees are charged as a rule, or very small fees for certificates, which serve more than once. These, being usually preserved for further use if needful, because they have been paid for, enable the authorities to frame a fairly exact notion of the state of the labour market.

It might be thought that the attitude of trade unionists would not be very friendly to the public offices, because unionists and non-unionists receive from them the same treatment. Unions, which act as formal or informal registries, might hope, in the absence of public bureaux, to secure the best or the first offers of employment for their own members. Every member of a trade union can be used as an employment agent, but unorganised non-unionists must seek work as isolated individuals. We can understand, therefore, the early opposition to the public bureaux, and the claim that if instituted they should be placed under trade-union control. Now, however, the opposition has dwindled, and the help of the exchanges is said to be widely welcomed. The reason is partly the good sense of unionists who perceive how seriously disadvantageous to labour as a whole chaos in this matter must be, and partly the fear of the registries instituted by employers as a check upon trade-union monopoly, which meant the organisation in an important respect of the non-

unionists, and in some degree the attraction of men away from the unions to the employers' registries, because persons on the books of such offices were given, or were thought to be given, a preference. The public bureau under some measure of joint control—for the institution to succeed must apparently be worked with the co-operation of interested parties—but directed by impartial management, was accepted finally as a convenient compromise. Not a few trade unionists, however, are still doubtful as to the effect of the public exchanges during strikes, and in some places agreements have been made, the necessity of which has been disputed, that these offices shall be used by neither side in course of a strike.[1]

We must mention here the relief stations dotted about Germany for the accommodation of persons wandering in search of work. These are supplementary to private lodgings and those organised by the Traveller's Homes Society, and are maintained by public authorities. A night's entertainment must as a rule be paid for in money or work, but in many badly managed relief stations the payment by work is not seriously enforced.[2] In no part of Germany are they more efficiently worked, and more carefully organised in connection with labour exchanges, than in Westphalia. It would seem that more travelling in

[1] The literature on Labour Exchanges is immense. Good detailed accounts are given in Mr. Schloss' Report and Conrad's *Die Organisation des Arbeitsnachweises in Deutschland* (1904). The former is the more statistical. See also the journal, *Der Arbeitsmarkt* already mentioned and *Annales* of *Le Musée Social* for November 1906.

[2] Temporary relief, for which sometimes work must be done, may always be obtained from the police in Germany.

search of work takes place in Germany than in this country; for instance, in 1903, of 13,300 men who applied for employment at the labour bureau at Bielefeld, 7,500 stayed at the lodgings at Bielefeld, and for half of the 4,700 places filled through the agency of this office persons were selected who had come from a distance.[1] The amount of wandering about that normally falls to the lot of people out of work no doubt varies greatly from country to country. In places where the density of population is low, the miles of travel necessitated would be high, and an onerous burden would thereby be imposed on the working classes. Hence, in New Zealand, people out of work are given free passes over the railway to enable them to seek it. In New South Wales the right of free travelling over the railways accorded to persons offered work in the country is said to have been used by employers to crowd the labour market in their vicinity.[2] In parts of Germany persons who are certified by a labour bureau as seekers after work are allowed a reduction of the ordinary fares on State railways, and recently the suggestion was made by a committee of the Prussian House of Deputies that such persons should be allowed to travel on State railways at prices charged for soldiers' tickets.

In France there is a variety of labour registries. The bulk of the work done by agency is still effected through private offices, which must now be licensed by the municipalities. A great deal of

[1] For accounts of German relief stations see Mr. Schloss' Report already referred to and the numbers of *Der Wanderer* there mentioned; also *Sociale Praxis*, December 8, 1904.

[2] Dr. Clarke's Report on labour conditions in Australia.

popular dissatisfaction with the private offices has been expressed, and as a result a law was passed in 1904, empowering municipalities to close private offices provided that full compensation were paid to any suppressed offices which had been established prior to the passage of the law. This law also enacts that every commune with more than 10,000 inhabitants shall be compelled to maintain a municipal labour registry. A great expansion of municipal work may therefore be expected. So far the state of affairs has been as follows: [1]—

Year	Number of Municipal Registries	Number of Registries Returning Situations Filled	Number of Situations Filled (in Thousands)		
			Permanent	Temporary	Total
1896 . .	52	26	88·0	8·9	86·9
1897 . .	52	45	47·4	17·9	65·3
1898 . .	52	35	47·3	16·7	64·0
1899 . .	52	36	53·6	21·2	74·7
1900 . .	Not stated	29	55·1	13·9	69·0
1901 . .	Not stated	31	45·3	6·0	51·3
1902 . .	Not stated	30	50·8	8·0	58·8
1903 . .	Not stated	28	50·9	7·3	58·2
1904 . .	Not stated	27	43·1	1·0	44·1
1905 . .	Not stated	23	39·5	4·8	44·3

The operations of the public offices are supplemented by those of the Bourses du Travail which are the associating centres of the trade unions, and receive subventions from municipalities and the departments. The work accomplished by them is shown beneath.[2]

[1] Quoted from Schloss' Report (p. 181) and brought up to date from the *Annuaire Statistique*.

[2] Quoted from Schloss' Report (p. 177) and brought up to date from the *Annuaire des Syndicats Professionnels*. The figures for 1894–9 were obtained from *Seconde Enquête sur le Placement, etc.*, p. 57, and all those for later years from the annual mentioned above. The Paris Central Labour Exchange was closed in 1898, owing to the refusal of certain trade

Year	Total Number of Labour Exchanges	Number of Labour Exchanges Returning Situations Filled by Them	Number of Situations Filled (in Thousands)		
			Permanent	Temporary	Total
1894 . .	34	24	15·0	5·8	20·4
1895 . .	46	29	24·5	6·0	30·6
1896 . .	42	37	33·6	7·5	41·0
1897 . .	49	31	35·2	28·9	64·0
1898 . .	55	41	47·2	38·2	85·4
1899 . .	65	42	55·1	48·6	103·7
1900 . .	75	44[1]	37·4	23·9	61·3
1901 . .	86	56[1]	24·5	9·6	34·2
1902 . .	94	66[1]	44·6	30·5	75·2
1903[2] . .	—	—	—	—	—
1904 . .	114	78[1]	60·2	31·8	92·0

In the United States, as in other countries, attention has been drawn to the value of well-organised employment agencies. In 1903 the legislature of Massachusetts resolved that the Bureau of Labour Statistics be directed to consider the matter of establishing free employment offices, and the next year a report was presented in which an account was given of American and European enterprise in this direction.[3] Ohio pioneered in the institution of free employment agencies in 1890; her example was followed by Washington in 1894, Montana in 1895, New York in 1896, Nebraska in 1897, Illinois and Missouri in 1899, Connecticut, Kansas, Minnesota, West Virginia and Wisconsin in 1901, and Maryland in 1902. In ten of the States the offices are

unions belonging to it to comply with the provisions of the law of 1884 (relating to the organisation of unions), and was not reopened until 1896.

[1] The Paris Labour Exchange is not included after 1899. The *Annuaire des Syndicats Professionnels* of 1902 states that 'the Paris Labour Exchange has no Central Labour Registry' (p. lvii).

[2] The figures for 1903 have not been published.

[3] See Thirty-fourth Annual Report of the Massachusetts Bureau of Statistics of Labour.

under the direction of the Commissioner of Labour; in one State, Kansas, there is a Director of Free Employment, and in two States, Minnesota and Montana, the offices are municipal. Returns from the various offices are appended:—

States having Free Employment Offices	Applications for Help (in Thousands)	Applications for Situations (in Thousands)	Positions Filled (in Thousands)	Percentages of Positions Filled to Applications for Situations
Connecticut (12 months) .	10·9	14·1	7·6	54·0
Illinois (12 „) .	47·4	44·9	40·1	89·4
Kansas (12 „) .	1·4	1·5	1·2	80·6
Maryland (6 „) .	·6	·7	·2	27·9
Minnesota (14 „) .	—	—	5·1 [1]	—
Missouri (12 „) .	15·9	11·8	7·2	61·3
Montana (17 „) .	5·8	7·2	4·8	66·6
Nebraska (7 „) .	1·5	2·0	1·4	68·9
New York (12 „) .	4·1	5·9	3·6	62·0
Ohio (12 „) .	86·6	26·9	21·4	79·4
Washington (12 „) .	—	—	25·9 [1]	—
West Virginia (12 „) .	1·3	1·2	1·0	86·4
Wisconsin (14 „) .	23·0	22·0	20·7	94·0
Totals . . .	148·9	138·7	109·7 [2]	79·1

From these returns it appears likely that 130,000 people per annum have places found for them. This total compares very favourably with the 10,000 situations filled annually by the six English exchanges of which statistics have been furnished, but not at all favourably, in relation to population, with the numbers of persons placed in situations through the agency of public bureaux in Germany at the present time—roughly, to give examples, 200,000 in Prussia, 30,000 in Wurtemburg, 60,000 in Baden, 100,000 in Bavaria, and one million in all. The last column in the table above, however, is highly satisfactory.

[1] Not included in totals.

[2] Minnesota and Washington not included.

The work done officially in England has hitherto been comparatively insignificant; it is shown beneath for the period 1897–1904, for the six exchanges, Battersea, Salvation Army (London), Ipswich, Glasgow, Liverpool, and Plymouth: [1]—

Year	Applications for Work (in Thousands)	Numbers found Places (in Thousands)	Percentage of Applicants found Work
1897 . . .	11·94	5·64	47
1898 . . .	13·78	6·88	50
1899 . . .	11·74	6·58	56
1900 . . .	14·64	8·14	56
1901 . . .	17·84	9·88	54
1902 . . .	19·85	9·97	50
1903 . . .	23·33	10·08	43
1904 . . .	29·83	11·95	40

The Battersea Exchange was established in 1902, and that in St. Pancras the next year. The latter was closed in July 1901, but reopened in December 1902. Finsbury started work in 1903, as did also Southwark, Hammersmith, Fulham, the City of Westminster, and Kensington. In the provinces, Liverpool and Plymouth opened offices in 1894 and Glasgow in 1896. These are not the only labour exchanges, but the statistics given are the only ones published to cover a few years. Mr. Lowry, in his recent Report on Labour Bureaux to the Local Government Board, mentions twenty-four, of which eleven are in London. The figure for London has already been doubled, and it is intended under the active policy now being pursued by the Central (Unemployed) Body for London, to raise it still further. Three out of the twenty-four exchanges mentioned by Mr. Lowry are private and semi-

[1] Compiled from the Tenth Abstract of Labour Statistics.

philanthropic. Only fourteen, he reports, have done much to justify their existence, and these fourteen filled about 9,000 places under private employment, and 6,300 under local authorities in the year ending August 1905. Many of the situations provided would be temporary only.

There is no doubt that we have failed with our Labour Exchanges in England largely because they have been associated with distress works and distress committees, and have not been managed as ordinary businesses by capable experts. The Labour Exchange system to be fully effective must be established compulsorily so that the whole labour field may be covered. The offices must be connected, a complete network being formed, so that a supply of labour in any spot may be brought into touch with a demand for it, however far away. Some degree of uniformity of management is evidently essential, and therefore a central office, working perhaps through district central offices, is needed. The aim should be to secure an exhaustive enumeration of the supply of unemployed labour and the demand for it. In order that exhaustive enumeration may be reached, well-staffed offices are required. A great deal of work by inquiry agents and others is involved in finding out exactly the amount and character of the occupations offered, and selecting the best candidates. The passive recording of names in a register is almost futile. In America the understaffing of the bureaux appears to be a common mistake. One chief, one typist, and one agent, which commonly constitute the equipment, are certainly inadequate if a real effort is intended to be made to secure the most suitable available work for

the unemployed with the least possible delay. It would be a mistake to have the exchanges very thickly scattered over the country, as small places would be apt to work their offices slackly or cheaply, and so to impair the effectiveness of the whole system. The difficulty of the workman's home being in certain cases some miles from the bureau might be surmounted by the use of subordinate offices, through which information could be communicated to applicants.

The adoption of a large and costly scheme of inter-related labour exchanges in England might reduce enormously the percentage of unemployment and result in an incommensurably great saving to the country. But, in view of the delicately organised social constitution and its unexpected ways of reacting upon attempts to doctor it, it would be rash to lay it down dogmatically that considerable benefit might be confidently awaited. The public assumption of the responsibility for providing work sapped the vital energies of the country a century ago, and it might not be easy to draw the line between engaging to find work for people and assisting them with information. There is a real distinction, but the public is not always ready to grasp real distinctions. There would be some fear of people leaving the whole obligation to the authorities and of the percentage of unemployment rising in consequence. If this happened, an agitation for the making of work for the unemployed would inevitably follow. The experience of New South Wales is not altogether encouraging. Large numbers registered at the labour bureaux and formed leagues and levied contributions with a view to getting employment through political pressure. Again,

in Victoria it was found that 50 per cent. of those on the books did not respond to offers of employment.[1] Nevertheless, we should judge that the inherent defects of the absence of all organisation are so serious, and successes with labour bureaux have already been so encouraging, that the proposal to give the public exchange system a fair trial on an adequate scale in England should be seriously considered. Supposed dangers might prove entirely mythical. An interesting experiment on somewhat advanced lines is now being carried out in London, and though its being confined to the one district will limit its success, much may be learnt from its results. To be bold without being rash in social affairs is not easy, but to shrink from all risk is to practise a *laisser faire* which is almost fatalism.

One proposed solution of the problem of casual labour is identical in principle with the system of the Labour Exchange. And casual labour constitutes a large proportion of the unemployed in many places: in London it is probable that 50 per cent. at least are casual labourers. There are two evils to contend with, (1) employment by the job instead of continuously by time, and (2) the absence of arrangements for directing surplus labour at one spot to places where there is more work to be done. When work is assigned by jobs the labourer is involved in a series of scrambles, and each man, trusting like the gambler to luck or his own peculiar prowess, hopes that he will not be the most unsuccessful of the crowd. Wherever work is of the 'job' kind there appears to

[1] See p. 178 of Bulletin 56 of American Bureau of Labour (Dr. Clarke's Report on Labour Conditions in Australia).

be over-supply of labour, probably for the psychological reason advanced above. Besides, thereby, the hand-to-mouth half-vagabond life which appeals to weak natures is encouraged.

The remedy lies partly with the labour itself. Organisation is the first step to improvement, and then the persistent pursuit of a policy whereby the continuously employed labourer is made the more valuable to employers. Employers, too, could co-operate and give some thought to the possibility of dispensing further with 'job' labour. It is even conceivable that contractors dealing with 'job' work, who paid time-wages and took the risks of getting full occupation for their employees, might loom larger in the field.

The second evil is easier to deal with. At each London wharf to-day a supply of labour at least sufficient to meet the maximum demand at that wharf will be found at the gates. But the work to be done at each wharf varies from day to day, and the maximum demand of all the wharves is much less than the sum of the maximum demands of each wharf. Even were the system of casual labour continued, the supply of labour would be sufficient if it was adequate to meet the maximum demand of all wharves taken together, were there a system of rapidly transferring labour from dock to dock. Offices at each wharf and a central clearing office in telephonic connection with them would effect all that is required. Labourers who found work slack could learn from any office where demand was most concentrated. The reform consists, in short, in a pooling both of demand and supply.

The last legislative step taken in England with reference to unemployment is the adoption of the Unemployed Workmen Act of 1905 (5 Edw. VII. ch. 18), a tentative piece of legislation, which, broadly speaking, empowers certain bodies to try social experiments with funds voluntarily contributed, except for limited rate aid and such small grants as the State may (and has) made. It insists upon the establishment of distress committees, representative of local government councils and boards of guardians, with co-opted members. In London every metropolitan borough has a distress committee. There is also a central body representative of these committees and of the London County Council, with co-opted members, and (if provided by order) nominees of the Local Government Board. The central board in London holds the purse, the distress committees recommending when the relief of unemployment entails cost. In any county or section of a county, the same type of organisation may be repeated, distress committees being set up in the county boroughs included of less than 50,000 inhabitants. When there is no central body for a county, the county council must appoint a special unemployment committee to collect and supply information, and so also must every county borough in which a distress committee is not set up.[1] Municipal boroughs and urban districts of more than 50,000 inhabitants, and others of more than 10,000 inhabitants, may, on the consent of the Local Government Board, esta-

[1] The establishment of a distress committee is not enforced upon the county boroughs of less than 50,000, though they may create them with the consent of the Local Government Board.

blish distress committees constituted generally as described above. Details have to be settled by order of the Local Government Board. Rating authorities may spend public money up to the proceeds of a rate of ½*d.* in the £—a larger amount, which must not, however, exceed the proceeds of a penny rate, may be sanctioned by the Local Government Board—for establishment charges, the cost of aiding people to emigrate or remove their habitation, and expenses incurred in relation to the acquisition (with the consent of the Local Government Board) of land for the purposes of this Act. The distress committees may, according to order 1071, deal with each suitable case, (1) by aiding the emigration or removal to another area of the applicant, and any of his dependents when it is known that he would immediately be put to work on his emigration or removal being effected, or (2) by providing or contributing towards the provision of temporary work in such manner as they think best calculated to put the applicant in a position to obtain regular work or other means of supporting himself. Except with the consent of the Local Government Board, no person must be afforded temporary employment for more than sixteen weeks in any period of twelve months. By the same order (1071) it is laid down that the pay must be less than normal earnings on the class of work provided.

Labour exchanges may be maintained, and farm colonies may be established, with the consent of the Local Government Board.

Under order 1071, before providing help the distress committees must satisfy themselves:—

(*a*) That the applicant is of good character.

(*b*) That he has not from any source sufficient means to maintain himself and his dependents.

(*c*) That he is not, and had not been during the period of twelve months immediately preceding the date of the application, in receipt of relief (other than medical relief) at the cost of the Poor Rate.

(*d*) That he had not in two successive periods of twelve months immediately preceding the date of the application been employed on work provided by a central body, or on work towards the provision of which a central body has contributed; and

(*e*) That his case is in other respects one which the distress committee, with due observance of the requirements of the Act, may properly entertain.

Under the same order preference is to be given to the applicant as to whom the distress committee has satisfied itself:—

(*a*) That in the past he has been regularly employed, has resided in its area for a continuous period of twelve months at the least, and has been well conducted and thrifty.

(*b*) That at the time of his application he had a wife, child, or dependent.

(*c*) That, in respect of age and physical ability, he is qualified for such work as the distress committee may be able to obtain, and also

(*d*) That, in other respects, the case of the applicant is one which may be entertained in accordance with the conditions prescribed by the regulation.

It is too early yet to indulge in forecasts. The initiative and wisdom of local authorities will be the measure of success, it being assumed that adequate funds are obtained.

So much has been written and spoken of late about the labour colony that some examination here of its uses seems called for. The best known of the labour colonies in England is that at Hadleigh, which is worked under the direction of the Salvation Army. It is specifically intended as a rescue home, and the use of the religious influence is an essential part of its plan. It is fed from the Salvation Army shelters, and is capable of accommodating, at a pinch, from 800 to 1,000 people. Actually its population varies from about 500 to 600. The men are classified into the professional, skilled mechanics, skilled labourers, and unskilled labourers. Usually half of the inmates belong to the last-named division; some 30 per cent. are skilled labourers and 12 per cent. skilled mechanics. The men are paid for their work, but the remuneration is low; a man, nevertheless, is able to save, as a rule, since the cost of living may be as little as 7*s.* a week, though more may be paid. Every new-comer is required to sign an agreement to remain for three months at least. He is then a probationer, and at the expiration of the three months he may be received into the colony fully or may be required to leave. During the probationary period the workman receives only food and shelter. In addition to the ordinary farm work of the colony, which includes market gardens and poultry runs, the colonists have been employed roadmaking, brickmaking, building, and on sea-wall improvements. The average stay at the colony is about nine months. Between a third and a half of those who enter leave at the end of the first month. The Hadleigh colony, it should be mentioned, was utilised by the Mansion House

Committee. In addition to the Hadleigh colony, four city colonies, or elevators, and many shelters, are maintained by the Salvation Army. The work in the city colonies is wood chopping, paper sorting, carpenter's work, and engineering. None of the Salvation Army colonies, it must be clearly understood, exists primarily to deal with unusual unemployment: they are essentially rescue institutions for those who have sunk beneath the grade of respectable working people. About a third of those assisted at the city workshops have been in the casual ward or in prison. Unfortunately, no attempt has been made to watch the futures of those who have passed through the colony; hence there is no means of estimating the permanence of its effect. The officials concerned with Hadleigh are under the impression that a very large proportion of the persons whom it treats for an adequate period are rehabilitated for good, but they cannot give statistical evidence to justify their hopes. The loss on the city colonies is stated to range from about 2*s*. 4*d*. to 2*s*. 8*d*. a week per head, or 6*l*. to 7*l*. per year, while the accounts of the farm colony show an annual deficit of earnings over expenses of 6,000*l*. to 7,000*l*. a year.

An investigation into the labour colonies of the Continent was made by the Board of Trade in 1893. The conclusion reached was 'that whatever be the object of these colonies, the great bulk of the material with which they deal consists not of efficient workmen out of work, but tramps, ex-prisoners, and others, whose distress is caused by personal defects. They are not colonies of unemployed so much as receptacles for social wreckage.' More recent reports on the

Continental labour colonies, and especially the recent inquiries made by Mr. Schloss, go to prove that this statement still remains true. Little is done by the labour colony to assist the efficient man who is out of work. The first German labour colony was established in 1882 at Wilhelmsdorf near Bielefeld, in Westphalia, by Pastor von Bodelschwingh. The system has spread throughout Germany, and comprises thirty-three colonies providing accommodation for nearly 4,000 persons. They are under the ultimate direction of the German Labour Central Board, which is constituted of two representatives from each of the provinces in which the plan of the colonies is being tried. While they accommodate about 4,000 people, some 9,000 to 10,000 persons, or more, are admitted to the colonies in the course of a year at the present time. A large proportion of these persons have entered some colony more than once; thus of the entries in 1903—which may be taken as a typical year—while 4,350 had never worked on a colony before, 2,210 had been once previously in a colony, 1,240 were being admitted for the third time, nearly 800 for the fourth time, more than 470 for the fifth time, 310 for the sixth time, 260 for the seventh time, and as many as 660 for more than the seventh time. The applications of about a quarter of those who seek admission each year are refused. By far the largest proportion of rejections is attributable to lack of accommodation: of 2,800 rejections in 1903, 1,440 are accounted for in this way. The remainder were refused admission for a variety of reasons, including their not belonging to the district, old age or youth, illness, unfitness, in-

temperance, or their having been placed on the black list. A black list is kept by the colonies in conjunction, so as to prevent a man who has misconducted himself on one colony from repeating his offence elsewhere.

A noticeable feature of the colonists is the enormous proportion of those who return themselves as unmarried; in 1903 almost four-fifths were unmarried, and about the same ratio appears to have prevailed in previous years. The married are not as a rule one-twentieth of the inmates. Of the remainder nearly a tenth are widowed, more than a twentieth are divorced, and a large number have been separated from their wives. The large preponderance among the colonists of men without family claims upon them is partly necessitated by the character of the institutions, which do not admit women and children; but no doubt it is to be explained also by the fact that the colonies are used as temporary harbours of refuge by the vagrant class. This surmise is borne out by the direct evidence of those who are acquainted with home colonies, and also by the figures of discharge. In 1903 more than 6,000 departed at their own desire, although no evidence was given that they were likely to get work, while 1,000 only left to fill situations found by themselves, and less than 1,000 went into situations procured for them by the authorities. In connection with discharge from the colonies it should be noted that between 700 and 800, out of 8,000 to 10,000, were dismissed for bad behaviour, and between 250 and 300 of the same total numbers were ejected for laziness.

From the statistics already given as to the accommodation provided by the colonies, entries and discharges, the reader will have already gathered that the average duration of stay in a German colony is not lengthy. As a matter of fact, nearly half the inmates are in residence for shorter periods than two months, and nearly a quarter extend their stay to periods between two and four months. No more than an eighth remain between four and six months, and about the same prolong their residence up to twelve months, while roughly about one-sixteenth may be taken as the proportion of the colonists who remain for more than a year. Of course the practice of the colonies as to the length of time that their inmates are permitted to stay varies, and the proportion of those who are retained for moderately adequate periods varies also from colony to colony. It is generally true, however, of these institutions taken as a whole that the length of residence—and of treatment, one might say in so far as the colonies are to be regarded as social hospitals—of the majority of the persons admitted, is wholly inadequate for any satisfactory remedial effect to be worked either upon their physical or moral health. The following statement was made in 1904 at a meeting of the Labour Colony Central Board: it is quoted in Mr. Schloss' Report from *Der Wanderer* for March 1904: 'According to the regulations prevailing in our colonies, the length of time for which the inmates are required to bind themselves to stay in a colony, even in the case of men who apply for admission on five, six, or more successive occasions, is only three to four months. Of this fact advantage has been taken by

many colonists. Those men obtain admission at the beginning of winter, and as soon as the song of the lark is heard again in the land, start on the tramp once more, with joy in their hearts, with a good suit of clothes on their backs, with stomachs put in complete order, and with the money they have earned in the colony in their pockets, leaving the colony authorities, who are anxiously thinking how they are to get their sowing done at once, and later on get in as big a harvest as may be, with nothing but a lot of cripples remaining in the institution. In the autumn, and when winter is drawing near, these swallows fly back to their old nest.' Two disadvantages are associated with this state of affairs; the one, already noted above, that no time is given for permanent cures to be effected; the other, that the carrying on of the farm work is rendered exceedingly difficult. A much larger quantity of labour is required for agricultural purposes in the summer than in the winter, but a much larger quantity of labour is to be found in the colonies in the winter than in the summer. It seems inevitable, therefore, that farm work should be supplemented by simple trades, and it is of course desirable that each person's task in the colony should have as close an affinity to his usual avocation as possible. Fluctuations in entries from month to month must of course be looked for, the fluctuations of casual employment from month to month being marked, and the mass of the colonists being unsatisfactory casual labourers at best.

Attempts are being made in Germany to extend the length of stay on the colonies, and it has been proposed to create a special class of long-term

inmates. Two institutions, Mr. Schloss informs us, the one at Friedrichwilhelmsdorf, near Bremerhaven, and the other a Hamburg labour colony established on an estate of 900 acres at Schäferhof in Holstein, have laid peculiar emphasis on the importance of lengthy residence. The former colony is very small, and numbered only thirty residents in the middle of 1900, of whom most had been recently admitted. Its policy is to accommodate its inmates at first in barracks, and afterwards promote them, on good conduct being shown, to cottages, one cottage being provided for each family. On the date mentioned only four cottages were occupied. Those responsible for the management of affairs at Schäferhof are impressed with the fact that doles in the form of shelter, food and clothes may prove as detrimental to the community as doles of money, and they have, therefore, adopted the plan of inducing colonists who return a second time to enter into a two years' contract; but the contract has no binding force, and it is naturally broken in many cases. At the two free colonies in Holland, Frederiksoord and Willemsoord, which are managed by the Dutch Benevolent Society, attempts are also made to keep their inmates for reasonably long periods, and even to pass them on to positions of independence. People enter first as ordinary colonists, but after five or six years, if there be no vacancies, and any of the colonists are sufficiently capable and wish to continue agricultural work (which, however, is not the only kind of work prosecuted in these colonies), they are promoted to the class of free farmers, and placed on holdings of about six and a quarter acres each; but very few rise

to this position.[1] The authorities at Schäferhof claim to have ascertained by experience that 90 per cent. of their colonists are 'permanently unfit to lead a life of self-dependence, respectability and honesty'—permanently unfit, as things are, that is, for some portion of these might be reformable by lengthy courses of treatment, to make which effective large powers of control over their persons would seem to be requisite. The high percentage of the wholly unsatisfactory will cause less astonishment when it is borne in mind that some two-thirds of the persons admitted to the colonies have suffered imprisonment. It is one of the chief defects of the German system taken as a whole that the colonists are not usually classified and kept apart; the respectable working-man who has been unfortunate is allowed to rub shoulders with the recently discharged criminal. The same objection applies also, it has been pointed out more than once, to our casual ward system. It will be evident that the success of a colony depends in a great measure upon the zeal and personal force of the Hausvater or governor. Colonies, somewhat similar to those of the Salvation Army, are being tried in some German towns, and their experience seems to be very like that of the farm colonies.

With the German system of labour colonies that of Belgium, which is of a distinct type, should be contrasted. Colonies of the usual German kind are in effect open-air workhouses and casual wards; but the Belgian institutions which are given the same name have been intended, since the adoption of the

[1] It is stated by Mr. Schloss there has not been a single case since 1894.

law for suppressing vagrancy and begging in 1892, to hold more or less permanently the social wreckage which cannot justly be committed to the prisons, or be retained in them for long. There are two classes of labour colonies in Belgium: (1) the beggars' depôts, and (2) the houses of refuge. The former are penal in character; the latter were instituted in consequence of a reaction against the severity of the depôt scheme, to stand midway between the colonies of Germany and the half-prison of Merxplas,[1] which is designed for persons not suffering from incapacity who abuse public and private charity by mendicancy. Such persons the magistrates may commit for periods ranging from a minimum of two years to a maximum of seven years. Further, discharged criminals may be sent for confinement after the expiration of a sentence of less than a year for a period of time not less than one year and not more than seven years.[2] Persons sentenced for the more serious offences which stamp them as positively dangerous to the community have special quarters,

[1] Merxplas is the name of the place where the beggars' depôt for men is located; the similar establishment for the reception of women is at Bruges. The Belgian house of refuge is at Wortel, and the institution for women corresponding to this is also at Bruges. These institutions make up the sum of Belgian home-colony experiments, except for a private labour colony at Haeren near Brussels, which provides for about fifty men at once. There are two sections of the house of refuge at Wortel, namely, Hoogstraten and Wortel proper; the former is the smaller, covering only 272 acres as compared with the 1,400 acres of Wortel.

[2] Mr. Schloss points out that the severity of the penal system at Merxplas is mitigated by a high percentage of escapes which the authorities take no particular precautions to prevent. The possibility of persons who find the restraint of the colony almost unbearable escaping is said to reconcile the public as a whole and the vagrant class to the plan of the beggars' depôts. This is another illustration of the paradox that a system will work excellently if only it be imperfect.

and do not mix with the rest of the colonists. Of these there were 242 on September 3, 1903. The expense of the beggars' depôts is divided equally between the State and the province and commune of the prisoner-colonist. The same rule applies to the houses of refuge, in respect of the expenses attributable to persons committed by the judicial authority, but the whole of the cost of persons sent to the latter places by a communal administration must be borne by the commune concerned. The people consigned by the courts to the houses of refuge are those who seem to have no prospect of getting work, but who do not naturally fall under the degree of social condemnation which rests upon persons condemned to the beggars' depôts, and they may not be detained for more than twelve months without their consent. At the beggars' depôts the residents numbered more than 4,500 in 1901, and of these less than 300 were women. The inmates of the houses of refuge number as a rule about 1,800, and the proportion of women is insignificant; of 3,850 admissions in 1900, for instance, less than 270 were women. The number of persons who enter the houses of refuge voluntarily is exceedingly small. On July 31, 1904, there were forty only of such persons in residence; all were infirm, and seventeen required special attention owing to their infirmities. They are permitted to leave when they have earned 12*s*. As far as possible all colonists are set at the work which suits them best. The term colony suggests at once agriculture, but many industries besides agriculture are carried on both at Merxplas and Wortel—iron-work, tile-making, mat-making, rough weaving, button-making, brick-

making, clothes-making, carpentering and cobbling, for instance.

To what extent are people reformed by staying at these colonies? All experiences are disappointing. The authorities do not appear to hope for much in the way of reclamation of character. Their object is rather to remove people who are not positively dangerous criminals from the rest of the community for as long periods as possible. A member of the visiting committee of Wortel informed Mr. Schloss that in his opinion no more than two per cent. of those whose presence at the colony was due to moral defects returned to the outside world with characters permanently reformed. The same general statement might be made of the German colonies.[1] It is a striking fact that the administration both of the Belgian and German colonies attribute the distresses of those who take refuge in them in a very high degree to drink and believe that only an inappreciable proportion are cured. Nothing fresh is to be learnt from Holland, where colonies of the German and Belgian types are being tried side by side.[2]

The belief, already noticed above, that industrialism is continuously creating 'a reserve army' of labour, which by its competition keeps down wages, has caused some of the popularity of home colonisation schemes. It is held that 'surplus labour,' which is

[1] See, for instance, the opinion of Dr. Feldmann, who is in charge of the Wilhelmsdorf colony, quoted by Mr. Pringle in his evidence to the Committee of the Charity Organisation Society of 1904.

[2] A useful classification of most of the existing labour colonies will be found on pp. 184–6 of Mr. Percy Alden's book on the unemployed. A good account of continental colonies has been given by the Rev. W. Carlile and V. W. Carlile in *The Continental Outcast*.

thought of as being continually squeezed out of the industrial system, must be provided with means of starting society afresh, and hence 'got back to the land.' It is imagined that the condition of these colonists would soon become superior to that of the exploited rank and file of the towns, for Nature is bountiful, and man can provide for himself luxuriously from her stores if he is not taxed for rent and profits. But, in fact, there is no single instance in which the unemployed, by working on the land, have been able to support, or even nearly support, themselves; and the expense of home colonies, quite apart from the cost of estates, has been one of the influences checking their further expansion. The man who can support himself on a colony can usually support himself elsewhere, and better, and need not be chronically out of employment. The unemployed who reach the colonies are chiefly the unemployable. It is true that other colonies might be started for the employable, but it has not been demonstrated that any appreciable numbers would choose to go back to the land. Persons temporarily distressed owing to cycles of trade and the seasonable nature of some work, but who nevertheless prefer to continue to live their lives in the ordinary economic system, are not suitable as colonists. It is questionable whether, of the kinds of work at which they could be placed, agriculture is best adapted to their powers. Moreover, their stay on the colonies would be short, and their numbers would fluctuate from month to month and from period to period. It would be a very costly experiment to institute farms sufficient to find work for the unemployed during the recurrent depressions

associated with business embarrassments. The estates for lengthy periods would have to be shut up or neglected if they were to be sufficient to provide adequately for the unemployed during times of distress. The kind of work that is wanted for them is work that need not be carried on continuously, and can be stopped without much loss at a moment's notice, and resumed again after an interval—such, for instance, as road-making.[1] It is frequently hinted, and sometimes stated, that the occupation of agriculture offers unlimited demand for workers, but it has never been demonstrated why the demand of this particular calling should be more unlimited than that of any other calling. If the demand for wheat is unlimited, so must be that for millers to grind it, bakers to bake it, and mechanics and builders to construct flour mills and ovens. The best kind of colony is that which is not exclusively agricultural, because it provides more work that does not mean waste of labour (the most demoralising kind of work) for the winter, and the tasks assigned to the colonists can be more closely adapted to their capacities. The chief uses of colonies would seem to be for (1) the reform of vagabonds, (2) the restoration of the temporarily inefficient, and (3) the removal from society of (*a*) irreclaimable loafers and (*b*) incurable incapables. The most important point to be observed in their administration is probably the necessity of keeping the several classes of persons dealt with apart in distinct colonies.[2]

[1] The difficulty that men would be taken from the places where labour would be wanted when demand recovered has been dealt with above.

[2] In connection with the uses to which home colonies can be put, special mention should be made of La Chalmelle, situated about fifty miles

APPENDIX TO CHAPTER V

STATISTICS OF UNEMPLOYMENT

In this appendix we have gathered together such statistical evidence relating to unemployment as is too copious for inclusion in the foregoing chapter.

Seasonal Unemployment

United Kingdom

In the United Kingdom the trade unions report to the Labour Department their membership and the numbers out of work at the end of each month. The average of these twelve periodic observations may be assumed to yield ordinarily a fairly close approximation to an average of daily observation: they would not, of course, if depression fell, as a rule, in the middle of the month. Unemployment as reported by trade unions, the reader must be cautioned, is not an index of the sum of time-work done by trade unionists, because short-time and overtime—in brief, the total time worked by those in employment—is not as a rule recorded.[1] Hence, trade-union returns are not directly comparable with those of the days

from Paris, upon which it depends for its colonists. Its chief function appears to be to organise the return to the land of rural labour that has failed in Paris, as an offset against the stream of labour steadily flowing into the capital from the country parts. It is not large; only about 100 people enter La Chalmelle annually. Most of them have been previously engaged in agriculture. Numbers of country people flock into Paris at the end of the harvest and vintage, and when they are reduced to distress, they naturally find their way to the labour colony. It is probably owing to the character of those entering it that the discharge results are comparatively satisfactory.

[1] See, however, some returns upon this point in the Second Fiscal Blue Book, pp. 99–108.

PERCENTAGE PROPORTION OF MEMBERS OF TRADE UNIONS IN THE UNITED KINGDOM UNEMPLOYED AT END OF EACH MONTH.

Monthly Mean for Years 1895–1904.

Month	All Trade Unions making Returns	Building Trades (Carpenters and Plumbers only)	Metal, Engineering, and Shipbuilding Trades	Printing and Bookbinding Trades
January. .	4·7	4·5	5·8	4·6
February .	4·4	4·5	5·3	4·2
March . .	3·8	3·5	4·6	3·8
April . .	3·8	2·7	4·5	4·1
May . .	3·7	2·5	4·3	4·6
June . .	3·7	2·8	4·4	4·6
July . .	3·7	2·6	4·4	3·9
August . .	4·1	2·4	4·7	5·8
September .	4·3	2·7	5·3	5·3
October . .	4·2	3·1	5·6	4·0
November .	4·1	3·5	5·6	2·7
December .	4·7	4·7	6·2	3·9
Monthly average .	4·1	3·3	5·1	4·3
Maximum .	8·2 (1895)	11·1 (1904)	11·4 (1895)	6·7 (1895)
Minimum [1] .	2·2 (1899)	·9 (1898)	2·1 (1899)	2·2 (1899)

worked per week in iron and coal mines, which on their part tell nothing of the numbers deprived of occupation altogether. The defects of the trade-union figures are equally inherent in the statistics of labourers engaged at the various docks and wharves, which suffer also, as indices of unemployment, from the fact that dock labour is a fluctuating body. We need not comment further upon the material used below; it will be evident that much of it, though of use as a sign of oscillation of employment from month to month, is of no value for revealing the actual numbers out of work, and becomes quite valueless when applied to comparisons from year to year

[1] The lowest reached since 1868 was 1·4 in 1890.

because of the changes that occur in the relative magnitudes of different industries.

DAYS WORKED PER WEEK IN COAL MINES IN THE UNITED KINGDOM.[1]

Monthly Averages for Years 1895 *to* 1904.

Month	Average	Approximate Percentage of Lost Time	Month	Average	Approximate Percentage of Lost Time
January .	5·1	14	August .	5·0	17
February .	5·3	11	September .	5·3	11
March. .	5·2	13	October .	5·3	11
April . .	4·9	18	November .	5·3	11
May . .	5·2	13	December .	5·4	10
June . .	4·9	18			
July . .	4·9	18	Monthly average .	5·1	11

The approximate percentage lost time is calculated on the assumption that the number of colliers at work is not affected by seasonal variations in demand. For each month the difference between the days worked and the week of six days has been expressed as a percentage of six days. The same method has been applied to deduce the percentage of unemployment for the next table.

DAYS WORKED PER WEEK IN IRON MINES IN THE UNITED KINGDOM.

Monthly Averages for Years 1896 *to* 1904.

Month	Average	Approximate Percentage Lost Time	Month	Average	Approximate Percentage Lost Time
January .	5·5	8·3	August . .	5·7	5·0
February .	5·7	5·0	September .	5·3	3·3
March .	5·3	3·3	October .	5·3	3·3
April . .	5·6	6·6	November .	5·3	3·3
May . .	5·3	3·3	December .	5·3	3·3
June . .	5·7	5·0			
July . .	5·7	5·0	Monthly mean	5·7	5·0

[1] On the relative fluctuations as between mining for industrial and domestic purposes see page 312.

The peculiar oscillation between March and June is occasioned by the Easter and Whitsuntide holidays. There are also, we may note, some disturbances due to holiday influences in July, December, and January, which need not be entered into.

EMPLOYMENT AT IRON AND STEEL WORKS.

Monthly Averages of Number of Workpeople Employed for Years 1898 *to* 1904.

Month	Average (in Thousands)	Approximate Percentage Unemployment	Month	Average (in Thousands)	Approximate Percentage Unemployment
January .	72·1	4·9	August . .	78·2	3·8
February .	72·6	4·4	September .	78·2	3·8
March .	72·9	4·1	October .	78·4	3·6
April . .	72·3	4·7	November .	72·9	4·1
May . .	72·6	4·4	December .	72·6	4·4
June . .	72·8	4·2			
July . .	72·4	4·6	Monthly mean	72·7	4·3

The approximate percentage unemployment has been obtained by deducting each figure above from 75,000; this will give results close enough for our purpose.

EMPLOYMENT AT TINPLATE WORKS.

Monthly Averages for Years 1896 *to* 1904.

NUMBER OF TINPLATE MILLS WORKING.

Month	Average	Approximate Percentage Unemployment	Month	Average	Approximate Percentage Unemployment
January .	352	7·0	August . .	347	8·2
February .	355	6·2	September .	353	6·7
March .	351	7·2	October .	368	4·2
April . .	352	7·0	November .	361	4·7
May . .	357	5·7	December .	361	4·7
June . .	351	7·2			
July . .	341	9·7	Monthly mean	353	6·5

The approximate percentage unemployment is estimated on the supposition that the minimum (in October) is 4·2. It is assumed that employment varies as the number of mills working.

ESTIMATED MONTHLY AVERAGE NUMBER OF DOCK AND WHARF LABOURERS EMPLOYED AT ALL THE DOCKS AND AT THE PRINCIPAL WHARVES IN LONDON (EXCLUSIVE OF TILBURY) FOR YEARS 1897 TO 1904, IN THOUSANDS.

Month	Average	Approximate Percentage Unemployment	Month	Average	Approximate Percentage Unemployment
January .	15·6	7	August . .	14·8	18
February .	14·1	14	September .	14·9	10
March .	14·8	18	October .	15·6	7
April . .	14·2	14	November .	15·9	5
May . .	14·2	14	December .	15·5	7
June . .	14·1	14			
July . .	14·6	12	Monthly mean	14·8	11

The approximate percentage unemployment has been taken as 5 for November, and for each of the other months it has been calculated from this figure and the relative numbers employed.

There is an unmistakable tendency for more hands to be employed in the late autumn and winter. It may be that, owing to slackness in other seasonal trades, more labour flows to the docks, and each man, therefore, gets less work. There is probably not more work to be done in the winter, though some cargoes concentrate at that time.

The results of the working of labour bureaux are in one respect remarkable. The figures for December are hard to explain unless in that month odd jobs are numerous and people act more than usually under the influence of benevolent impulses, so that work is

WORK DONE BY ENGLISH LABOUR BUREAUX.[1]

Applications for Work per 100 *Places Offered, deduced from Monthly Averages for Years* 1897–1904.

Month	Percentage	Month	Percentage
January	200	August	188
February	208	September	189
March	185	October	186
April	174	November	214
May	167	December	158
June	167		
July	181	Monthly mean	199

Monthly Average for Years 1897–1904 *of Number of Fresh Applications for Work, in Thousands.*

Month	Average	Month	Average
January	1·60	August	1·51
February	1·80	September	1·57
March	1·85	October	1·80
April	1·29	November	1·84
May	1·89	December	1·58
June	1·80		
July	1·80	Monthly mean	1·59

Monthly Average of Number of Situations Offered by Employers for Years 1897–1904, *in Thousands.*

Month	Average	Month	Average
January	·80	August	·72
February	·64	September	·88
March	·73	October	·97
April	·74	November	·86
May	·88	December	1·00
June	·78		
July	·72	Monthly mean	·80

made. The figures of persons on the registers at the end of each month exhibit just the same peculiarity. Statistics of the operations of German public labour

[1] The six bureaux are:—Battersea, Salvation Army (London), Ipswich, Glasgow, Liverpool, and Plymouth.

exchanges show far more regular seasonal movements; but the German institutions are a more regular part of the machinery for bringing about employment than ours, and, in general, the cases with which they deal are, therefore, more likely to be typical of the labour market as a whole. The public registries in Germany, being the employment agencies commonly used, are approached from both sides in the business spirit as a rule; hence their statistics really disclose economic demand in relation to supply. The English bureaux, at any rate at certain times in the year, are viewed as a semi-charitable agency for coping with distress. The following contrast is significant. In 1903 the six English offices, statistics of which are quoted by the Labour Department, received 23,000 applications for work, and placed 10,000 applicants, whereas the six bureaux of Berlin, Cologne, Aachen, Essen, Hanover and Düsseldorf received 186,000 applications for work, and placed 100,000.

We may now turn to the statistics of seasonal fluctuation in employment for Germany, France, and the United States.

Germany

German trade unions only began to make returns of unemployment in the middle of 1903, so the statistics at present available are not sufficient for the calculation of an average of any value.[1] The most fruitful figures are those of the public labour exchanges. The amount of work undertaken may be gathered from the fact that between 1898 and 1903 the highest

[1] Quarterly returns up to March 31, 1904, are given on p. 110 of the Second Fiscal Blue Book; more recent ones will be found in the Reichs-Arbeitblatt.

number of applications for work by males and females in any one month exceeded 90,000, while the lowest was nearly 30,000—the difference is partly to be explained by the growing dependence of the community on these institutions. Roughly, about a quarter of the applicants are women. On an average between 1898 and 1903 the proportion of applications for work by men and women combined to situations offered, which is not identical of course with the proportion of individuals out of work to places vacant, was as follows:

MONTHLY AVERAGE OF NUMBER OF APPLICATIONS PER 100 SITUATIONS OFFERED, FOR YEARS 1898–1903, IN GERMAN PUBLIC LABOUR BUREAUX.

Month	Average	Month	Average
January	167	August	125
February	149	September	116
March	115	October	143
April	128	November	175
May	130	December	174
June	128		
July	131	Monthly mean	140

The membership of sick funds may be compared with these statistics. The figures beneath, quoted from the Second Fiscal Blue Book, relate to ninety-six towns for the years 1895 to 1901, and are expressed as percentages of the membership on January 1:—

January 1	100·0	July 1	110·6
February 1	100·8	August 1	110·8
March 1	101·7	September 1	110·7
April 1	105·1	October 1	110·8
May 1	108·8	November 1	110·8
June 1	110·5	December 1	109·9

The worst months, in order of severity of unemployment, appear to be April, March, February, and

January. The value of these figures as indicative of unemployment arises from the fact that the bulk of the wage-earners are compelled to be insured against sickness, but that the obligation ceases for those out of work. Unemployed persons, however, may continue members of sick funds by paying the whole of the premiums, a half of which is otherwise contributed by employers. Hence one source of error in this index: another is that the population is growing while the numbers who escape insuring is probably diminishing, which, other things being equal, should cause the index numbers to rise from January onwards.

France

We now turn our attention to France. Beneath are the average percentages for 1895 to 1903 of the trade unionists returned as unemployed by a quarter to a half of the French trade unions. They are not strictly accurate.[1]

PERCENTAGE OF UNEMPLOYED IN FRENCH TRADE UNIONS.

Monthly Average for Years 1895–1903.

Month	Average	Month	Average
January	10·8	August	6·9
February	10·1	September	7·4
March	8·2	October	7·8
April	7·8	November	8·2
May	6·5	December	8·6
June	6·2		
July	6·9	Monthly mean	7·8

Next we state the average number of days worked by coal-miners (underground) in France between 1897 and 1903.

[1] See p. 117 of the Blue Book, Cd. 2337.

DAYS WORKED BY COAL MINERS IN FRANCE.

Monthly Average of Number of Days Worked per Week by Coal Miners, Underground only, for Years 1897 to 1908.

Month	Average	Approximate Percentage of Lost Time [1]	Month	Average	Approximate Percentage of Lost Time [1]
January .	5·93	1·2	August . .	5·86	2·3
February .	5·88	2·0	September .	5·88	2·0
March .	5·93	1·2	October .	5·95 [2]	0·8
April . .	5·86	2·3	November .	5·95 [2]	0·8
May . .	5·90	1·7	December .	5·58	7·0
June . .	5·82	3·0			
July . .	5·83	2·8	Monthly mean	5·80	3·3

The gigantic rise of unemployment in December has been omitted from the diagram on page 315, since there appears to be little doubt that holidays, or the holiday spirit, have seriously upset normal results.

United States

Figures of percentage of unemployment at the end of each month among the members of trade unions affiliated to the American Federation of Labour have been compiled for the 'American Federationist' since the beginning of 1900, but they fluctuate so bewilderingly from month to month that the means for the different months would be of no value, and nothing is to be gained from quoting them in detail. The following table is prepared from the only statistics showing the amount of unemployment in different

[1] The difference between days worked and six days expressed as a percentage of the latter. See paragraph following a similar table on p. 387.

[2] In October and November the averages are taken for all the years between 1897 and 1908 except 1902, when there was a strike in October which seems to have run into November also.

occupations at different seasons and in consecutive years, issued by any public authority, according to the United States Industrial Commission : [1]—

PERCENTAGE OF UNEMPLOYED MEMBERS OF TRADE UNIONS IN CERTAIN TRADES IN THE STATE OF NEW YORK WHO WERE IDLE AT THE END OF THE UNDERMENTIONED QUARTERS.

Average for the Years 1897 *to* 1902.

Quarter Ending	Average	Quarter Ending	Average
I. *Building, &c.*			
March 31	33·0	September 30	10·7
June 30	17·6	December 31	30·0
		Quarterly average	22·9
II. *Clothing and Textiles.*[2]			
March 31	19·0	September 30	12·8
June 30	31·7	December 31	38·7
		Quarterly average	25·6
III. *Metals, Machinery, &c.*[3]			
March 31	8·7	September 30	8·5
June 30	9·8	December 31	10·6
		Quarterly average	9·4
IV. *Printing, &c.*			
March 31	11·1	September 30	11·7
June 30	11·1	December 31	9·6
		Quarterly average	10·9
V. *Woodworking and Furniture.*[4]			
March 31	19·2	September 30	8·1
June 30	19·9	December 31	17·8
		Quarterly average	16·1

[1] P. 754 of vol. xix. Detailed figures will be found on p. 124 of the Second Fiscal Blue Book.

[2] Clothing only up to 1898.

[3] 'Metal workers' only up to September 30, 1898.

[4] 'Woodworkers' only up to September 30, 1898.

Cyclical Unemployment.

We now pass on to notice the fluctuations of employment with the state of trade. It may be stated at once that none of our chief foreign competitors has collected figures to serve as indices of unemployment for a sufficient length of time to make it worth while to quote them here. No more careful investigation into the annual state of unemployment in England over a number of years has been made than that of which the conclusions are set forth in the Second Fiscal Blue Book (Cd. 2337, 1904). All the available English figures are admirably collated, and details are given for the most important trades rendering returns. For our purpose it will be sufficient to set forth the general conclusions and state with brief comments the process by which they were arrived at. The available data and the manner in which they were used may be described in the words of the Blue Book (pp. 97–8) :—

In attempting to trace the course of unemployment among members of trade unions in the United Kingdom over a long period, we have two main sources of information :—

(1) The records of the number of members out of work [1] or on unemployed benefit at the end of each month.

(2) The records of the amounts paid to members out of work.

The first method is that used in the statistics published in the Labour Abstract for the years 1888–1903, and the results thus obtained for these years have been accepted for the present purpose.

[1] Sick and superannuated members are not counted as unemployed. From the membership on which the percentage is based the superannuated are excluded, but not the sick, on the ground that the latter are only temporarily disabled.

For years prior to 1888 both of the above sources of information have been used, the first so far as readily available, and the second to supplement and complete the tables. It may be useful to indicate more fully how the percentage unemployed was arrived at on the basis of the amount per head of total membership paid as unemployed benefit. This amount divided by the weekly amount allowed gives the average number of weeks of unemployment per head, or the average per head per year over the whole membership, and from this the percentage is easily deduced. An example of the working may be given.

Example:—

Amalgamated Society of Carpenters and Joiners.

1874. Amount per head of total membership expended on unemployed benefit . . . 4*s.*
Amount per week allowed under rules . . 10*s.*

$\frac{4s.}{10s.}$ = number of weeks unemployment per member.

$\frac{4s.}{10s.} \times \frac{100}{52}$ = weekly percentage unemployed = ·8.

This result is confirmed by the percentage based on numbers unemployed at end of each month = ·8.

In order to test the comparability of the results three tests were applied:—

(1) For the Amalgamated Society of Carpenters and Joiners, a contrast between both sets of figures was drawn, as both sets were procurable over the whole period, and the divergence was found to be so small as to be practically negligible.

(2) For the years 1888-1892 the two sets of results were worked out, and the differences between them were found not to be very material.

(3) Continuous returns of sixteen trade unions of the percentage of members unemployed from 1873

onwards, being obtainable, these were compared with the general results described above, and the correspondence was so close as to confirm the belief of the investigators in the perfect soundness of the method adopted by them.

Further, it may be added that Mr. Wood has calculated for a limited number of unions the average unemployment from monthly returns from 1860 to 1883, and that his results correspond closely, as regards general movements, with those upon which we intend to rely.[1] It should be observed, as regards the computation of unemployment from unemployed benefit, that dangers of error arise from societies altering their rates of pay, and from 'out-of-works' ceasing to be eligible for it. We are assured, however, that care was taken to make proper allowances for the possibility of such errors creeping into the tables from which we shall quote.

The results of the recent inquiry at the Board of Trade are set forth beneath. We have separated the 'engineering, shipbuilding, and metal trades' from the other trades, since the oscillations of unemployment are much greater in the former than in any of the groups included in the latter, though in all cases they are considerable. This is probably to be explained largely by the fact that the former trades are chiefly devoted to the creation of instruments of production and transport. An unusually high proportion of the demand for these commodities is concentrated in the periods of active trade, instruments

[1] See *Journal of the Statistical Society* for December 1899. A good discussion of some of the difficulties of measuring unemployment will be found on pp. 640–648.

being comparatively lasting, and enlarged demands for goods generally meaning enlarged demand for instruments.

PERCENTAGE UNEMPLOYED IN TRADE UNIONS.

General Percentage for the Engineering, Shipbuilding, and Metal Trade Unions, and for all Unions other than Engineering, Shipbuilding, and Metal.

Year	Percentage for Engineering, Shipbuilding, and Metal Trade Unions		Percentage for all Unions except Engineering, Shipbuilding, and Metal Trade Unions	
	A	B	A	B
1851 . .	3·9	—	—	—
1852 . .	6·0	—	—	—
1853 . .	1·7	—	—	—
1854 . .	2·9	—	—	—
1855 . .	5·4	—	—	—
1856 . .	4·9	—	1·6	—
1857 . .	6·1	—	2·3	—
1858 . .	12·2	—	2·5	—
1859 . .	3·9	—	1·4	—
1860 . .	1·9	—	1·8	—
1861 . .	5·5	—	1·9	—
1862 . .	9·0	—	3·1	—
1863 . .	6·7	—	2·7	—
1864 . .	3·0	—	0·9	—
1865 . .	2·4	—	1·2	—
1866 . .	3·9	—	1·4	—
1867 . .	9·1	—	3·5	—
1868 . .	10·0	—	3·5	—
1869 . .	8·9	—	3·0	—
1870 . .	4·4	—	3·1	—
1871 . .	1·3	—	2·0	—
1872 . .	0·9	—	1·0	—
1873 . .	1·4	—	0·9	—
1874 . .	2·3	—	0·9	—
1875 . .	3·5	—	0·9	—
1876 . .	5·2	—	1·6	—
1877 . .	6·3	—	2·5	—
1878 . .	9·0	—	3·5	—
1879 . .	15·3	—	6·1	—
1880 . .	6·7	—	3·3	—
1881 . .	3·8	—	3·3	—
1882 . .	2·3	—	2·4	—
1883 . .	2·7	—	2·5	—
1884 . .	10·3	—	3·5	—
1885 . .	12·9	—	4·2	—
1886 . .	18·5	—	5·6	—

PERCENTAGE UNEMPLOYED IN TRADE UNIONS—*continued.*

Year	Percentage for Engineering, Shipbuilding, and Metal Trade Unions		Percentage for all Unions except Engineering, Shipbuilding, and Metal Trade Unions	
	A	B	A	B
1887 . .	10·4	—	8·9	—
1888 . .	5·5	6·0	8·4	—
1889 . .	2·0	2·3	2·1	2·3
1890 . .	2·4	2·2	1·6	1·8
1891 . .	4·4	4·1	1·8	2·0
1892 . .	8·2	7·7	2·7	2·7
1893 . .	—	11·4	—	4·7
1894 . .	—	11·2	—	4·0
1895 . .	—	8·2	—	4·2
1896 . .	—	4·2	—	3·9
1897 . .	—	4·8	—	2·8
1898 . .	—	4·0	—	2·5
1899 . .	—	2·4	—	2·3
1900 . .	—	2·6	—	2·4
1901 . .	—	3·8	—	3·1
1902 . .	—	5·5	—	3·8
1903 . .	—	6·6	—	3·7
1904 . .	—	8·4	—	4·0

CHAPTER VI

WORKMEN'S INSURANCE AND OLD-AGE PENSIONS

THE right of the workman to compensation for injuries received in the course of his work is recognised widely in principle, and many systems have been proposed or adopted. All fall into a scheme of double bifurcation. Compensation may be given (1) for all accidents, or (2) only when the negligence of the employer, or those for whom he is responsible, is proved, or the non-negligence of the workman is proved. Again, the compensation (*a*) may be an ordinary personal liability of the employer, or (*b*) it may be in effect guaranteed by the State and constituted a charge upon an industry or group of industries. There is a growing concurrence of opinion in favour of the wider rule of compensation as the narrower has been found to bear hardly upon the employee. There are uncertainties as to what constitutes negligence, and it is always difficult to prove. The appeal to the law is costly, and if the matter is to be tried when the facts are fresh in mind, action must be entered at a time when the workman may still be suffering from his injuries, and is therefore not in a fit state to prepare his case. Moreover, under principle (2) the interests of many unorganised workpeople get neglected owing to their ignorance or that

of their advisers. Again, the injured person may easily be prejudiced in respect of his prospect of getting employment through the friction generated in an action in which attempts must be made to prove the negligence of the employer or his agents, or the negligence of the workman. Further, the injured man may not obtain his compensation until the time of his greatest need is past. The objections to this restricted principle of compensation are many, and its advocates are now few. As it is stated in the preamble to the first measure proposed by the German Government in 1881, 'to burden the person injured with requirement of furnishing proof of negligence on the part of the employer or his agents, transforms the beneficence of the law for the working-man into an illusion in the majority of cases.'

The United States alone of the four leading countries continues to act only on the old-fashioned principle, compensation not being paid unless default of the employer, or any person or persons for whom he is responsible, is proved. The laws of the several states in the Union differ chiefly in the extension allowed to the class of 'persons for whom the employer is responsible'; fellow-servants, for instance, may be included. In the United States, however, the doctrine of 'common employment'—i.e. the doctrine that in taking employment the employee implicitly contracts to assume the risk of being injured by a fellow-servant—has never been applied so widely as it was in England. It is interesting to observe that, in spite of the limited liability of the employer, the experience of important English companies has shown that insurance rates are higher

in the United States than in England.[1] One reason may be the administration of the law in America, which is said to be favourable to the workman, together with the fact that the latter is alert in the pursuit of his interests. In 1904, and again in 1906, a Bill on the lines of the English Compensation Act was introduced in Massachusetts.

The German system rests on the principle that compensation should be paid for all accidents. The principle marked (*b*) at the beginning of this chapter is also in force, and businesses are compelled to insure against their liabilities in institutions representative of the German industries arranged in groups according to their kinds. The advantage of charging the compensation to State-constituted insurance institutions is that the security of the compensation is rendered independent of the solvency of any particular employer. There are regulations in Germany to insure the solvency of the insurance associations. And, further, compensation is rendered so entirely a professional risk as to prevent its payment from causing any personal friction between employers and individual workmen. Whether this scheme, or that of personal obligation, tends most to reduce accidents it is not easy to decide. In favour of the former it may be contended that the insurance institutions will enforce the adoption of ordinary precautionary methods, and thus screw up the general level of provision against accidents. The associations are empowered to draw up 'danger tariffs' and impose higher rates on establishments in which the proportion

[1] Memorandum of the Home Office on Foreign and Colonial Laws relating to Compensation for Injuries to Workmen (Cd. 2458), 1905.

of accidents is high. In favour of personal liability there is the argument that the cost of accidents to each employer becomes a personal incentive to keep their number down. In general the first plan would seem preferable, where it is practicable, chiefly because (1) it is more likely to bring about a moderately high minimum of safety conditions, (2) the workman's compensation is more secure, and (3) the payment is more impersonal. If under the system of personal liability employers as a rule insure, the German plan in effect creates itself.

In France dissatisfaction with the old-fashioned plan of not awarding compensation to the workman except in the form of damages against his employer on default being proved came to a head about a quarter of a century ago. Numerous Bills were proposed, of which one passed the Chamber of Deputies in 1888 only to suffer defeat in the Senate. The present measure of 1898 originated in a Bill, which passed the Chamber of Deputies in 1893, embodying the principle of compulsory insurance for 'trade risk' as opposed to 'firm's risk.' The Commission du Travail had reported strongly in favour of legislation on the general lines laid down in the Bill. The Senate rejected the measure as it stood, but substituted a plan which was accepted by the Chamber of Deputies in an amended form. It was finally adopted in 1898 and further amended in 1902. The prolonged discussion had taken place chiefly upon the comparative advantages of the principles of 'trade risk' and 'firm's risk.' Ultimately a compromise was effected, in which the latter became the fundamental idea, while the workman received some protection against the possible insolvency of

firms by the State in effect guaranteeing the compensation for fatal injuries and permanent disablement, and making medical and funeral expenses and payments for temporary disablements a privileged claim on the property of the employers. The new charge is subordinate, however, to the other five classes of privileged claims enumerated in Article 2101 of the Code Civil. The pensions are guaranteed by the National Old Age Pension Bank, and a guarantee fund is raised by a small addition to the business tax (*contribution des patentes*). The payments enjoined by the French law are reduced if the accident is due to the 'inexcusable default' of the workman. This provision may prove a fruitful source of litigation. Payments may be raised to the total wage if inexcusable default of the employer can be proved. Intentionally self-inflicted injuries are not indemnified.

The English Compensation Acts of 1897, 1900, and 1906 are based on the principle of firm's liability. Contracting out in favour of some scheme of insurance may be sanctioned if the scheme is at least equally beneficial to employees. In any comparison between the English and German plans it should be noted that in Germany, where trade associations had been fostered, for instance in the *Innungen*, or modern gild organisations, it seems easier to introduce a scheme of compulsory insurance by trade groups than it would have been in England. It was argued also in France that conditions there were not suited to the German plan. In the United Kingdom the application of the Compensation Act was first confined to the industries subject to Government inspection

and regulation and those in which report of accidents is compulsory; it was then extended, and now it is in effect unlimited and covers all workpeople (including clerks and domestic servants), with the exception only of casual labourers, out-workers, members of the employer's family engaged in his dwelling, policemen, and those in the military and naval service. When injury has been caused by the personal negligence or wilful act of the employer or of some person for whose act or default he is liable, the workman may, if he choose, take proceedings independently of the Compensation Act. He is not however entitled to receive compensation both under this Act and any other law relating to the liability of employers. The existing Compensation Act covers not only accidents, but also the following diseases when contracted in certain industries:—anthrax; lead, mercury, arsenic or phosphorus poisoning or their sequelæ; and ankylostomiasis, to the dangers of which miners are exposed. The workman is protected against loss due to the bankruptcy of his employer by the insurances relating to compensation being in that event transferred to the workmen, and by compensation under this Act up to a certain amount being placed among preferential debts. In Germany disputes as to whether compensation is due in any particular case cannot easily arise under the new principle, insurance being imposed upon all businesses included. Any doubts as to the scope of the law would be settled in reference to the obligation of a business to insure. The probability of disputes arising has been further reduced in Germany by the law of 1900, which declared that an insured person was covered against accidents incurred by him not

only when discharging his industrial duties, but also when engaged in domestic or other work for his employer. In France, the line of demarcation between the included and excluded industries is not clear.[1] In France, but not in Germany, employers may find that they have insured against a risk which does not exist, or omitted to insure against an existing risk, under misapprehension as to the scope of the law.

The laws of all three countries provide for weekly allowances in the case of non-fatal accidents, and for lump payments to dependents in the event of death. Medical treatment is, in addition, provided in France and Germany, and in the latter country the injured person may be compelled to submit to a 'cure.' In England a workman is, as a rule, precluded from trying an expensive cure, unless he is awarded a lump sum as compensation in place of weekly allowances. After six months a lump sum may be substituted for a weekly payment on application by or on behalf of the employer, subject to certain rules as to its amount or to arbitration on the point or mutual agreement. In France, on the request of the pensioner, pensions may be commuted for fixed sums after three years, as they may also in Germany at any time, at the request of the workman, in cases of partial disablement when the weekly allowance does not exceed 10 per cent. of the annual earnings. In Germany, the weekly

[1] See *e.g.* the observations by M. Paulet (*Directeur de l'Assurance et de la Prévoyance Sociale du Ministère du Commerce de France*) to the International Congress on Industrial Accidents at Düsseldorf in June, 1902 (quoted on p. 18 of the Memorandum on Foreign and Colonial Laws relating to Compensation for Injuries to Workmen, of 1905, above referred to.—Cd. 2458).

allowances begin on the fourteenth week (sick funds are used for the first thirteen weeks) [1]; in France they begin on the fifth day, and in England at once (under the last Act), except that if the incapacity lasts less than two weeks, no payment is made for the first week. This new principle of compensation for accidents is rapidly winning its way in our Australasian Colonies.

Criticism, which is directed mainly against the accident provisions of the law, but carries with it implications that apply to the other branches of insurance also, has been evoked in Germany by the statistics of accidents, which are supplied opposite.

It is a serious matter if the proportion of accidents to persons insured has increased in a high degree. To account for increase a psychological cause has been suggested. It is supposed that the workman becomes more careless when he knows that his bread-winning capacity is fully insured. It might be replied that, in view of the instinct of self-preservation, it is inconceivable that people would intentionally incur damage, especially as their doing so would frequently be of no avail, since accidents brought about intentionally by the sufferers are not indemnified. But this retort is futile, inasmuch as the hypothesis advanced is not that the workman runs wilfully into danger, but that when the tension of his responsibilities is relaxed he drifts from the course of safety. However, it is by no means certain that from the psychological cause supposed there must be a tendency for the number of accidents to increase.

[1] See pp. 418, 421-2.

Number of Persons to whom Benefits were First Awarded.

Year	Number of Persons Insured (Thousands)	Absolute					Per 1,000 Insured				
		Total	The Accident caused				Total	The Accident caused			
			Death	Permanent Incapacity		Temporary Incapacity		Death	Permanent Incapacity		Temporary Incapacity
				Entire	Partial				Entire	Partial	
1886	—	10,540	2,716	1,778	3,961	2,085	2·83	0·73	0·48	1·06	0·56
1887	—	17,102	3,270	3,166	8,462	2,204	4·15	0·79	0·77	2·05	0·54
1888	—	21,057	3,645	2,203	11,023	4,186	2·04	0·35	0·21	1·07	0·41
1889	—	31,019	5,185	2,882	16,337	6,615	2·32	0·39	0·22	1·22	0·49
1890	13,620	41,420	5,958	2,681	22,615	10,166	3·04	0·44	0·20	1·66	0·74
1891	18,015	50,507	6,346	2,561	27,778	13,812	2·80	0·35	0·14	1·54	0·77
1892	18,014	54,827	5,811	2,640	30,569	15,807	3·04	0·32	0·15	1·69	0·88
1893	18,119	61,874	6,245	2,487	36,236	16,906	3·41	0·34	0·14	2·00	0·93
1894	18,192	68,677	6,250	1,752	38,952	21,723	3·78	0·34	0·10	2·14	1·20
1895	18,389	74,467	6,335	1,668	40,527	25,937	4·05	0·35	0·09	2·20	1·41
1896	17,605	85,272	6,989	1,524	44,373	32,386	4·84	0·39	0·09	2·52	1·84
1897	17,947	91,171	7,287	1,452	46,489	35,943	5·08	0·41	0·08	2·59	2·00
1898	18,246	96,774	7,848	1,109	47,764	40,053	5·30	0·43	0·06	2·62	2·19
1899	18,604	104,811	7,999	1,297	51,240	44,275	5·63	0·43	0·07	2·75	2·38
1900	18,893	106,447	8,449	1,366	51,111	45,521	5·63	0·45	0·07	2·70	2·41
1901	18,867	116,089	8,359	1,416	54,340	51,974	6·15	0·44	0·08	2·88	2·75
1902	19,083	121,284	7,975	1,435	111,874		6·35	0·43	0·08	5·86	
1903	19,465	129,375	8,370	1,588	119,467		6·64	0·43	0·08	6·13	
1904	19,876	137,678	8,752	1,604	127,317		6·93	0·49	0·08	6·40	

It must not be assumed that an attitude of assurance is on the whole more fertile of mishaps than the caution which foresees endless possible dangers. And unquestionably the effect of making accidents costly to an industry should be the improvement and more extensive adoption of precautionary methods of reducing the objective dangerousness of the occupations affected. It is evident that the question of the effect of the new law cannot be settled *à priori*, since for some reasons accidents should have increased, while for others they should have decreased, and it is impossible to weigh these several influences against each other. Further, we are inclined to argue that *à posteriori*, that is by an appeal to statistics, the matter cannot yet be settled. The rapid industrial development of Germany, which has magnified the proportion of inexperienced labour engaged in dangerous surroundings, cannot have been without influence. It is no sufficient reply to point out that in the number of accidents recorded in agriculture we find no exception to the general tendency, for special causes might be operating in agriculture, and the drain from the land of many of the efficient would raise the liability to accident of the remainder. Again, the increase in the number of accidents recorded does not betoken a corresponding increase of accidents. Notification is getting to be more exhaustive, fewer slight mishaps are now overlooked, and 'accident arising out of the course of employment' is possibly being given an extended application by the courts. 'Malingering' and the absurd exaggeration of trivial hurts may have been encouraged, but this is not a matter with which we are now specifically concerned.

Some light is thrown on the accident figures by the returns of sickness. The cost of sickness has risen, whether measured per member, per case of sickness, or per day of sickness, and sickness is more protracted, as statistically measured, per 100 members insured and per case of sickness. It is tolerably certain that in this case the chief explanation is not increased liability to sickness.

Again, if the number of accidents is really greater, an explanation must be found for the fact that the fatal accidents per thousand have not increased much, and that those causing entire incapacity, when reckoned per thousand persons insured, have significantly declined. Some increase of the fatal accidents per thousand we should naturally have expected, had no new principle of compensation been introduced, for the reasons noted above in connection with the rapid industrial growth of Germany. As regards the accidents causing entire incapacity, it is no doubt true that the more immediate skilled attention now received by injured workmen, and the improvement in the professional advice upon which they rely, has tended to reduce the ratio of serious consequences to damages incurred. On the whole, we must conclude that the figures quoted do not prove that the new principle of compensation is increasing the number of accidents, though, on the other hand, they do not prove that it is not.

In view of the fact that the French Act has not yet been in operation for a decade and of the fact that the scope of the English Act was extended, in 1900, after four years' experience, there is little prospect of the French and English figures of accidents

returned under the new laws throwing any additional light upon the social effects of compensation for all accidents being made a charge upon industry. There exist, however, over a long course of years official figures of accidents in certain trades and groups of trades, from which possibly relevant conclusions might be deduced. We have therefore constructed a table of such statistics relating to England and contrasted with them whenever possible corresponding figures for Germany.

We are warned in the Abstract of Labour Statistics that as regards factories and workshops the figures from year to year are not always strictly comparable. New requirements are introduced from time to time, and new works are constantly being added. Further, we know neither the total number of persons working in the factories and workshops included each year, nor any alteration that may have taken place in their distribution between the less and more dangerous trades. The returns of non-fatal accidents have increased faster, no doubt since the passage of the first Workmen's Compensation Act, than we should have expected, these warnings notwithstanding, but that the explanation is probably a growing exhaustiveness of notification is suggested by the relatively tardy ascent of the column of fatal accidents. The returns of accidents to railway servants would seem to be of especial value for our purpose, because they refer always to the same business, any change in the danger associated with which could be discovered. But as to these the English report for 1896 states that 'there can be no doubt that the number of returns of injuries to servants received by the Board of Trade

Industrial Accidents in the United Kingdom and Germany.

Year	Factories and Workshops (United Kingdom)		Railway Servants				Colliers (United Kingdom)		All Miners (Germans)
			Killed		Injured (in Thousands)		Death Rate from Accidents		
	Fatal	Non-fatal (in Thousands)	United Kingdom	Germany	United Kingdom	Germany	Per 1,000 Persons Employed	Per 1,000,000 Tons of Coal Raised	Death Rate per 1,000 Persons Employed
1888 . .	886	7·1	442	—	6·6	—	1·65	4·86	—
1889 . .	448	7·5	476	—	8·4	—	1·91	5·61	—
1890 . .	484	7·7	536	410	9·4	1·31	1·89	5·96	2·07
1891 . .	420	8·1	603	468	9·2	1·49	1·50	4·95	2·32
1892 . .	426	8·2	575	403	8·4	1·56	1·49	5·11	1·96
1893 . .	422	7·8	516	418	6·8	1·58	1·55	6·04	2·19
1894 . .	448	9·8	522	414	7·2	1·60	1·60	5·65	1·86
1895 . .	455	10·0	489	376	7·5	1·50	1·49	5·17	2·12
1896 . .	490	13·8	490	464	14·1	1·72	1·48	4·92	2·19
1897 . .	516	15·8	566	457	14·4	1·90	1·34	4·32	2·06
1898 . .	577	18·5	542	517	13·0	1·98	1·28	4·22	2·55
1899 . .	681	21·9	584	502	15·6	2·18	1·26	3·93	2·04
1900 . .	813	26·7	631	530	15·7	2·19	1·30	4·25	2·04
1901 . .	782	28·2	565	487	14·7	2·33	1·36	4·76	2·13
1902 . .	850	29·0	485	466	13·9	2·44	1·24	4·27	1·82
1903 . .	748	29·5	497	461	14·4	2·58	1·27	4·41	1·88
1904 . .	726	—	448	499	14·5	2·59	1·24	4·27	1·84

has been considerably affected by the order recently made by the department as regards the mode in which the returns are made.' The numbers employed on railways, including navvies, are stated in the census returns as 195,000, 256,000, and 390,000 in 1881, 1891, and 1901 respectively. Hence, per 1,000 employed, the non-fatal accidents have kept about constant between 1891 and 1901, while the fatal accidents, reckoned in the same way, have fallen nearly 40 per cent. In Germany the numbers of railway servants in 1890, 1895, 1900, and 1904 were respectively 285,000, 297,000, 355,000 and 384,000. Hence the fatal accidents per 1,000 have fallen, but less than in England, and the non-fatal accidents have increased somewhat faster than the number of railway servants. In the United Kingdom the fatal accidents in collieries, reckoned both per 1,000 persons employed and per 1,000,000 tons of coal raised, are diminishing. In Germany the death-rate of all miners is inclining to fall.

The German system of workmen's insurance, which we shall critically examine next as a whole, is unique in its completeness.[1] It is State-enforced

[1] The literature relating to the German experiments is voluminous, and we can mention only the authorities that have proved most useful for this work. A bibliography of German publications on the subject will be found on p. 887 of the *Yale Review* for February 1904. A general account of all working-men's insurance by Mr. Willoughby has been issued by the United States Department of Labour, and Mr. J. G. Brooks has made a report to the same department on compulsory insurance in Germany, but both are now somewhat out of date. There is also the Report of the American Industrial Commission, vol. xvi. pp. 228–241. The *Handwörterbuch der Staatswissenschaften* of Conrad and Lexis contains useful articles, namely, Invalidenversicherung, iv. 1361–77, Krankenversicherung, v. 860–79, Unfallversicherung, vii. 285–813. The best

and possesses three branches which relate to sickness and infirmity, and old age, as well as to accidents. It was intended that widow and orphan insurance should be added to these, but on grounds of expense the original design has not yet been fully carried out. The existing system, according to the amendments entered by Lass and Zahn in the 1904 edition of their official descriptive work, will now be explained. Accident insurance will first occupy our attention. This we have already sketched in the rough, but fuller detail must now be introduced in order that the account may be made similar in texture to the rest of our description of the German scheme, which we propose to investigate with some minuteness because it is one of the most stupendous pieces of social legislation of this generation.

The original Accident Law was passed on July 6, 1884. It has been amended on several occasions, and on each occasion its application has been extended. It applies now with requisite modifications to manufacture, agriculture, building, and marine occupations, and certain State and municipal officials.[1] Workpeople come under the law whatever their wages, but of industrial officials (clerks, managers, etc.), only those who are possessed of a salary of less than 150*l.* a year. The limit of salary was raised by the Amendment Act of June 30, 1900, from 100*l.* to 150*l.* As

recent explanation and defence of the German system is Lass and Zahn's *Einrichtung und Wirkung der Deutschen Arbeiterversicherung* (3rd ed. 1904). This was originally written for the Paris Exhibition of 1900 and brought up to date with additions (though not rewritten) for that of St. Louis in 1904. Other authorities will be mentioned in the text.

[1] The industries now included are particularised on p. 252 *et seq.* of Lass and Zahn (ed. 1904).

regards factory workers, the definition of a factory has now been widened to include those within which use is made of power derived from animals. By determination of the trade association concerned, the law may be extended to small masters whose earnings are less than 150*l.* a year and who do not regularly employ more than two workmen, and the domestic industries. It may further be determined in the latter case that claims shall lie against those who give out work to be done in domestic workshops. There is no present intention of making accident insurance applicable to all hand-workers, persons engaged in the small-scale industries, trade, fishery, and domestic service. But the scope of permissible voluntary insurance has been considerably enlarged. Small employers, small ship-masters, and pilots who carry on business on their own account, may be insured. On the determination of the trade association concerned this authorisation may be extended also to larger employers. The possibility of voluntary insurance is also extended to all non-insured persons engaged in industry, and to all non-industrial workers who come into direct contact with the industries (such as carters and porters), and to the officials and staff of trade associations. Arrangements have also been made for the scheme to reach branches abroad of home industries and branches in Germany of foreign industries.[1]

For accident and invalidity insurance new territorial arbitration courts have been set up in place of the old trade arbitration courts, the use of which for this purpose is now generally discontinued. In the new courts four judges sit, two of whom must be employers

[1] See p. 254 of Lass and Zahn, ed. 1904.

and two workmen. It is only in agriculture, forestry, and mining that the old plan remains in operation. In 1902 there were 123 of these new 'Schiedsgerichten für Arbeiterversicherung' as they are called. They were first created on January 1, 1901. The imperial insurance courts for the final settlement of disputes are left undisturbed by recent legislation. The system of insurance offices is of a far more centralised character than that established under the sickness law, which was compelled to recognise numerous existing agencies for friendly benefit. For accident insurance there could be reckoned in 1904 sixty-six industrial associations (some industries having more than one association), and forty-eight associations for agriculture and forestry (geographically limited), 199 State and 282 local institutions for State or provincial employees, and thirteen separate institutions for 'intermittent building enterprises.' Employers engaged in the same line of industry are members of the same trade association, and the entire burden is borne by the members in proportion to the risks to which each one exposes his association. Special payments may be recovered from employers and officials against whom excessive carelessness has been proved. In effect some contributions are made by employees indirectly, since the expense for the first thirteen weeks is thrown upon the sick insurance funds of which workpeople contribute two-thirds. Agricultural accident insurance differs in some respects from industrial accident insurance. The groupings of employers into offices are made by districts and not by trades. In the case of industry, groupings are by trades because in some trades the liability to accident

is greater than in others. In agriculture risks are more evenly distributed. In public administration the expense of insurance is made a charge upon the budget for each particular service. Provisions for the prevention of accidents have been improved, and inspectors have been appointed both by the State and trade associations. The accident insurance frequently involves the payment of pensions, but contributions have not yet been based upon the calculated present value of the obligations incurred. Heavy payments have, however, been made into the reserve funds, and by the latest amendment law further increases of the reserve funds are entailed to meet the steady increase of expense, and so facilitate the adoption of the premium system at some future time.

The centre of interest of accident insurance, that is the benefits paid, we have left to the last. Until the expiration of the thirteen weeks succeeding an accident the sufferer is assisted from the sick funds. Afterwards the accident insurance provides free medical attendance and pensions of two-thirds of the yearly wage while incapacity continues, and proportional pensions for partial incapacity. If the injured person is rendered so helpless that he needs to be waited upon he may be granted a special allowance which exceeds the two-thirds, and may be as much as the full wage. Further, the partial pension may rise to the full two-thirds if for no fault of his own the injured person is kept out of work.

In case of death there is paid (1) a lump sum to relatives according to the annual income of the deceased, which, however, must be at least 2*l.* 10*s.*, and must not exceed twice that amount, and under

certain restrictions (2) pensions to dependents, which must not exceed 60 per cent. of the annual wage. Death money may not be paid twice to a widow. If pensions amount to more than the 60 per cent., rules are provided for reducing them. A widow or any child under sixteen receives a pension of 20 per cent. A family receives a pension according to its size. The principle is the same when the woman was the wage-earner, and the widower may benefit if he has been dependent upon his wife owing to incapacity. Moreover, a pension may be granted to the children of a woman whose husband is illegally not supporting her on her death from accident. A widow has no claim if her marriage took place after the accident, but in special circumstances of this kind a pension may be allowed. In the event of the widow marrying again, she receives 60 per cent. of the yearly earnings as composition. Pensions to relatives (other than as aforesaid) are paid when the person killed by accident has been their main support; they must not exceed 20 per cent. of the income, and grandchildren may benefit. Intentionally self-inflicted injuries are no ground for indemnity, nor injuries to which punishable acts on the part of the injured person have led. If a breach of the law was intended indemnity may be wholly or partially withheld, but in the event of death in this case pensions may be wholly or partially assigned to dependents. Stoppage of pensions is provided for in certain circumstances, for instance, when certain punishable offences have been proved against the beneficiary. Small pensions of 15 per cent. and less may be commuted for lump payments, representing three times the pension, on

the proposal of the claimants, as also may all pensions due to foreigners. Claims must be made within certain periods. In calculating the annual wage, excesses over 75*l.* a year (originally 60*l.*) are to be divided by three. Partially incapable persons, both when the incapacity is caused by previous accident, and when it is not, have allowance made for their incapacity when the annual wage is being calculated.

Tables showing the financial aspects of the scheme, and the present distribution of accidents among trades together with the numbers insured in each trade, will be found in the Appendix to this chapter. The quantity of accidents over a period has been examined above.

The law first establishing insurance against sickness was adopted on June 15, 1883, but important Amendment Acts have since been passed. When the original measure was drafted, the various existing sick-insurance institutions had to be taken into account: hence the absence of uniformity in the scheme. The miners' insurance associations were left undisturbed, as compulsion was already an element of their constitution. Seven new types of association were established, and membership of some recognised society was required from all persons to whom the law applied. The seven types of association to which existing societies (other than the miners' associations) were required to conform, were as follows:—(1) local sick funds managed by the townships for different branches of trade—these have the largest membership; (2) factory funds; (3) building funds; (4) trade or guild funds; (5) free funds which may be managed with greater independence,

provided they offer terms as favourable at least to labour as those the law prescribes; (6) communal funds; and (7) independent State associations. In 1901 there were 22,770 recognised insurance offices. Each office fixes the weekly premiums, which in the case of district insurance are not to exceed collectively 3 per cent. (formerly 2 per cent.) of the daily wage. In the case of other offices, contributions are not to exceed collectively $4\frac{1}{2}$ per cent. (formerly 3 per cent.) of the wage of the class affected, *i.e.* the burden on the member must not rise above 3 per cent., two-thirds of the sick-insurance premium being paid by the workmen, and one-third by the employers. These rates are for the present; in course of time a total charge of 6 per cent. of the wage, involving deduction of 4 per cent. from the wages of the working classes, will be permitted. An increase of rates was necessitated by improved benefits.

The minimum and the maximum benefits which an insurance office may allow are prescribed by law. Sick relief must be paid for thirteen weeks, and (by the law of May 1903) for a further thirteen weeks if necessary, when accident pay does not take the place of sick pay. The relief comprises (*a*) medical treatment and appliances from the third day of illness, and (*b*) at least one-half of the usual wage, from the third day of illness. An amount must be paid at death for burial expenses, according to the wage, which, however, is not to be less than 2*l.* 10*s.* Support must be provided for women at childbirth for six weeks (originally four weeks). Further, assistance for pregnant women has been introduced, which may last six weeks. Further, a midwife and medical

attendance may be had free without limitation of time. These benefits are conditional upon industrial incapacity being occasioned, and the pregnant persons having belonged six months at least to the insurance institution. Relatives are now to be paid half the daily wage, instead of half the sickness money, when the wage-earner is taken away to undergo a cure. Persons taking advantage of free cures, and requiring nothing for the support of dependents, receive now one-quarter instead of one-eighth of the sickness pay. The penalising of those sick from sexual excess or immorality is now done away with. One defect of present arrangements of which mention may be made at once, is that any person who has temporarily removed beyond reach of the insurance doctor in the system to which he belongs is unable to obtain free medical attendance even from other insurance doctors.

Benefits have been increased through more favourable provisions being made for the calculation of the daily wage upon which they are severally based. As a general rule, all employees with an income of less than 100*l.* a year are required to insure against sickness, except such as have a claim for the continuation of their wages in case of sickness.

Shop-assistants and shop-apprentices (including females) were added in 1903, so far as their salaries do not exceed 6⅔ marks for the working day, or 100*l.* a year. Further, all employees of imperial, State, or communal governments are now compulsorily included unless, generally speaking, they are entitled under the terms of their employment to benefits at least equally advantageous to them. A law has been

demanded for the extension of the sickness insurance as obligatory to cover all home-workers, workers engaged in agriculture and forestry, and domestic and other servants. It has not yet been conceded, but in 1900 the law was made applicable to domestic industries not only on the determination of the Communal or Municipal Government as hitherto, but also on the resolution of the Bundesrat. It can further be ordered that the undertaker should make the required employers' payments in the first instance, and deduct them from the small master of out-workers.

A conspectus of the sickness dealt with, and its cost under different heads, is afforded by figures in the Appendix to this chapter.

Old-age and infirmity insurance was established by law on June 22, 1889, but the original scheme has been modified since in several respects. Roughly speaking, all employees receiving less than 100*l.* a year are obliged to insure, and some persons working independently in their own homes are also required to insure if they earn less than 100*l.* a year. Certain other persons are permitted to take advantage of the scheme and share in the State bounty if they wish. The management of the old-age and infirmity insurance rests with thirty-one territorial insurance offices, to which persons belong according to the districts in which they work. Important modifications were introduced by the Amendment Act of 1899. The amounts of the weekly contributions are subject to revision at the end of every ten years, and towards the end of the first decade it became clear that the contributions in certain districts (particularly those

agricultural districts of East Prussia from which emigration to the large towns and populous west had been greatest) needed increasing to possibly two and a half times the existing amounts, if the original arrangements were to be retained. It was essential to bring about a more equitable distribution of burdens, and by the Amendment law suitable arrangements were made. From January 1, 1900, the premium system was adopted.[1]

Old-age pensions are payable on the attainment of seventy years of age. The infirmity pension is only paid after twenty-six weeks of infirmity. The burden of supporting the invalid is thrown at first upon the sick insurance up to the end of the thirteenth week, and then upon accident insurance or the sick funds, as the case may be. As a safeguard, insurance officials are at liberty to require infirmity pensioners, or those who seem likely to become pensioners, to undergo any cure which may be thought desirable, at the expense of the insurance office. Old-age pensions are not paid to persons in receipt of infirmity pensions, and the latter are not paid to those receiving sick or accident pensions. An old-age pension is also withheld when the insured receives an accident, State, or communal pension, if the amount to which the pensioner would be entitled (the old-age pension included) is seven and a half times greater than the old-age pension. Repayment of half the total contributions is made to (*a*) women on getting married, if

[1] At first no actuarial basis existed for the establishment of a premium to cover future as well as present obligations. For the joint purposes of accident, sickness, invalidity, and old-age insurance about 80,000,000*l.* is now laid by.

they have been insured five years and received no pension and desire to surrender their pension rights; (*b*) widows and orphans of those who have been insured at least five years without getting a pension; and (*c*) those who, being rendered incapable of work through accident, enjoy a pension and are ineligible for an infirmity pension.

Insured persons are divided into five classes (formerly four), according to their average annual earnings. The incomes defining these classes are those under 17*l.* 10*s.*, 27*l.* 10*s.*, 42*l.* 10*s.*, 57*l.* 10*s.* respectively, and those over 57*l.* 10*s.* The weekly contributions required from the different classes are 1·4, 2·0, 2·4, 3·0, and 3·6 shillings, which are shared equally by employers and employees. The whole is paid by the State for workmen during their terms of service in the army or navy. Benefits vary with the class, but before a person is entitled to an old-age pension 1,200 weeks' assessments must have been paid.[1] The pension consists of the imperial subsidy of 2*l.* 10*s.*, in addition to the insurance pension of 3*l.*, 4*l.* 10*s.*, 6*l.*, 7*l.* 10*s.*, or 9*l.*, according to contributions. Infirmity pensions, which can only be claimed after 200 contributions have been paid, comprise the imperial subsidy of 2*l.* 10*s.*, the allowance of 3*l.*, 3*l.* 10*s.*, 4*l.*, 4*l.* 10*s.*, or 5*l.*, according to the insurer's class, and a varying amount obtained by multiplying the number of weekly assessments paid by ·3, ·6, ·8, 1·0, or 1·2 shillings, according to the insurer's class. The system may be tabulated as follows:—

[1] See, however, statement below as to special arrangements made for the first few years.

Class	Income	Weekly Contributions	Old-Age Pensions			Infirmity Pensions			
			Fixed Allowance per Workman	Imperial Subsidy	Total	Fixed Allowance per Workman	Imperial Subsidy	Amount of Increase per Weeks of Assessment	Total (x = Number of weeks)
		pf.	m.	m.	m.	m.	m.	pf.	m.
I.	under 350m.	14	60	50	110	60	50	8	$110 + \cdot 08x$
II.	350–550m.	20	90	50	140	70	50	6	$120 + \cdot 06x$
III.	550–850m.	24	120	50	170	80	50	8	$130 + \cdot 08x$
IV.	850–1,150m.	30	150	50	200	90	50	10	$140 + \cdot 10x$
V.	over 1,150m.	36	180	50	230	100	50	12	$150 + \cdot 12x$

An idea of the numbers insured in each class may be gathered from the following table relating to Westphalia in the year 1901 :—

Class	Number of Weekly Contributions, in Thousands	Number of Persons Insured (Calculated on the assumption that Forty-six Weekly Contributions are Paid per Head), in Thousands	Percentage of Insured in each Class
Class I. . . .	1,880	42·9	7·1
„ II. . . .	8,613	184·1	32·6
„ III. . . .	8,077	179·1	30·6
„ IV. . . .	4,895	108·6	18·5
„ V. . . .	2,972	60·0	11·2
Total .	26,437	574·7	100

Under the ordinary arrangements of the law no pensioners would have been created for some years, and it was important that pensions should be enjoyed immediately, both to encourage the persons contributing towards their pensions and to make immediately effective the measures of social amelioration which the Government had decided to introduce. Hence it was provided that those who could show, on the law coming into effect (on January 1, 1891), that they had been employed in the preceding three

years in such a manner as would have made them subject to insurance, should have the requisite number of years of contributions shortened by the number of years that their age was in excess of forty. No one, therefore, was excluded from the immediate operation of the law, no one was burdened with special rates, and all persons of seventy years of age and upwards, eligible under the law as described above, entered at once into enjoyment of pensions.

Ever since the commencement the average pensions of both kinds have been rising, as may be seen in the table on pages 488–9. Although the intention was that the burden should be shared equally by employer and employee, the employer very frequently pays the whole amount to save trouble, which is really contrary to the spirit of the Act. In 1903, 13,380,600 people were insured against old age and infirmity. A detailed financial statement will be found in the Appendix to this chapter. It is not easy to interpret, because sufficient time has not yet elapsed for the full burden to be felt in outgoings. Incomings are now reckoned on an actuarial basis to cover future as well as present obligations, except those representing the State grant. The total of the State grant per head of the population must therefore increase, though premiums should not vary much, if at all. It looks, therefore, as if the cost at the stationary state on the basis of the present population would be about £11,000,000 a year.

In order to make vivid the exact value of the German scheme of workmen's insurance, we have quoted beneath some examples given by Herr G. A. Klein (Imperial Counsellor and permanent member

of the Imperial Insurance Office) in his monograph compiled for the Paris Exposition of 1900. The reader must bear in mind when perusing them that they are examples only, and that the benefits and contributions paid are not uniform; moreover, that benefits have improved and contributions have been raised since this pamphlet was penned. In the first case, for instance, the premium in certain societies would now be as much as ninepence a week, and the sick benefit would continue, if needful, for twenty-six weeks, if the case was not one for accident pay after the first thirteen weeks. We have not tried to bring the examples up to date, as they present a perfectly satisfactory picture in general of the state of affairs.

Sick Insurance.

An insured workman having a weekly salary of 1*l.* 4*s.* pays 6*d.* contributions each week; his sick relief is 11*s.* 9*d.*, and the expenses for physician and medicine amount to about 5*s.* 11*d.* If he is sick thirteen weeks, there would be paid for him 11*l.* 9*s.* If he dies, burial money amounts to 3*l.* 18*s.* In addition to this, free medical cure for the family is frequently granted.

An insured working woman with a weekly salary of 15*s.* 8*d.* pays, for example, 4*d.* weekly contributions; her sick relief is 7*s.* 10*d.* per week, and to this 5*s.* 11*d.* per week for physician and medicine are to be added, this case costing for 10 weeks of sickness 6*l.* 17*s.* Burial money would be in this case at the least 2*l.* 9*s.*, and confinement money eventually 1*l.* 11*s.*

Accident Insurance.

A mason earning yearly the estimated amount of 61*l.* 19*s.* has his chest crushed in an accident caused by falling from a scaffold. After the legal time of waiting of 13 weeks,

during which he receives relief from sick insurance, he is treated 90 days in hospital at an expense of 15*l.* 1*s.* During this time his family draws a pension of 7*l.* 14*s.* After being discharged from the hospital, he is still totally unable to work, and receives a yearly pension of 41*l.* 6*s.* If he dies in consequence of the accident, burial money to the amount of 4*l.* 3*s.* is paid, and the pension to his survivors (wife and two children under 15 years) amounts to 31*l.* The widow enjoys her pension until she dies or marries again, the children theirs up to their sixteenth year.

A blacksmith with estimated yearly earnings of 52*l.* 1*s.* who has lost his left pointing finger while at work, and whose ability to work is damaged in consequence of the accident to the extent of 10 per cent., receives an annuity of 3*l.* 9*s.*

An agricultural day labourer who, for instance, has received an injury on the knee while at work, enjoys 105 days hospital care at the expense of the Trade Association amounting to 7*l.* 14*s.*, during which time his wife and two children draw a pension of 3*l.* 16*s.*, calculated according to his yearly average earnings, which are estimated by the managing board to be 26*l.* 9*s.* After being discharged from the hospital, the injured labourer is found to be damaged in his ability to work by 90 per cent. His annuity is in this case 15*l.* 18*s.* Blood poisoning sets in which causes death; now the Trade Association has to pay 1*l.* 15*s.* burial expenses and a pension to the family of the deceased amounting to 13*l.* 5*s.*

Invalidity Insurance.

A workman with a yearly salary of 58*l.* 16*s.* pays weekly contributions of 2*d.*, amounting to about 8*s.* 6*d.* yearly; the employer pays an equal amount. In case of incapacity for work, the invalidity pension of this workman—being 26, 46, or 66 years old—amounts to 10*l.* 6*s.*, 16*l.* 4*s.*, or 22*l.* 1*s.*, taking it for granted that his contributions have been defrayed for 10, 30, or 50 years, and that he has since his sixteenth year uninterruptedly followed a vocation compulsory to insurance.

A working woman earning yearly 15*l.* 14*s.* pays 1*d.* dues weekly in one year about 3*s.* 6*d.* She would receive under the above conditions an invalid pension of 6*l.* 3*s.*, 7*l.* 12*s.*, or 9*l.* 1*s.*

Is the insured workman in his 70th year still able to work, he receives (for the time of his capacity to work) an old-age pension of 11*l.* 5*s.*, and the above-mentioned woman of 5*l.* 8*s.* If the insured dies without having touched any pension, the widow and the children under 15 years of age receive back the entire sum of contributions paid by the deceased. For instance, in the case of the above working man: should he have died in his 66th year, and providing the insurance was in force for 50 years, and 50 contributions had annually been paid, then 22*l.* 1*s.* would be reimbursed to the widow. In case of marriage in her 26th year, the above working woman would receive back 1*l.* 15*s.*, providing the insurance was in force 10 years, and she, together with her employer, paid an annuity of 7*s.* 1*d.* In case of sickness when it is feared that incapacity for work will result, medical cure is granted with a view of preventing disablement. As to that, the expenses for a man suffering from consumption, whose cure was undertaken, amounted on the average to 15*l.* 1*s.* for 73 days of maintenance. For a working woman suffering from another disease than consumption, the average expenses were 7*l.* 1*l.* for 52 days of maintenance, according to the figures ascertained for the Empire in 1898.

This constitutes the great scheme of German State Insurance which was introduced partly for economic reasons, partly for social reasons broadly conceived, and partly to conciliate the working classes and diminish the spirit of hostility to the Government which was being fostered by the Social Democrats. The anti-socialist law, which was not, however, repealed until 1890, had proved a failure; indeed it was thought that the policy of repression had actually stimulated the movement which it aimed at

stifling. The Emperor's message of November 17, 1881, voiced the new policy—'that the cure of social evils should be sought for not exclusively in the suppression of Social Democratic excesses, but also in the active furthering of the workmen's well-being.' But if the insurance measures were expected actually to stop the growth of Socialism they proved singularly futile.[1] Bismarck, said von Vollmar, leader of the reformist Socialists in the German Reichstag, in an address delivered at Dresden in 1901, 'instituted workmen's insurance with the avowed intention not of satisfying urgent demands of the workers but of furthering the interests of his own domination. He thought that when he converted millions of workmen into small income-receivers, he would succeed in interesting them in the State as he conceived it (*i.e.* in the State as it was at the moment, and the Government then in power), in detaching them from the life of their class, and in making them props of what is called 'civil and social order.'[2] In this fashion von Vollmar justified the resistance of the Social Democrats to the insurance laws. The root of the

[1] The quantity of votes cast for the Socialists and the number of their representatives in Parliament have been recently as follows:—

—	Voters (in Thousands)	Members	—	Voters (in Thousands)	Members
1871 . .	101	1	1887 .	763	11
1874 . .	352	9	1890 .	1,427	35
1877 . .	493	12	1893 .	1.787	44
1878 . .	437	9	1898 .	2,105	56
1881 . .	312	12	1903 .	3,010	81
1884 . .	550	24	1907 .	3,260	43

The Socialist vote is under-represented, as it is located chiefly in the towns.

[2] Quoted from Ensor's *Modern Socialism*, p. 189.

objection taken by the Socialists was a fear lest the working classes should be reconciled to the existing social order by benefits received from the State and be completely divorced therefore from belief in the 'class war' (Klassenkampf). Even Reformists for the most part hold to the theory of the 'class war,' though for present emergencies they are ready to make terms with the enemy. The question agitated amongst them is how far compromise shall be carried. Many are oscillating in consequence between obstructionism and opportunism. We are not surprised therefore to find the opposition to the insurance schemes diminishing. In the speech already quoted von Vollmar continued: 'The German working class has not let itself be tamed and made subservient by receiving little insurance annuities, but asserts its just demands with all the greater vigour and with growing certainty of success. Thereby the workmen's insurance legislation has lost for us the character of a question of strength. We can treat it quite practically, and recognise the useful element which in it is mixed up with the bad. Thus last year we were able, though after much consideration, to vote for the latest additional laws on insurance against accidents and disablement, which, as it was, contained some not unreal amelioration for the workers, and if the parties of the majority had been well disposed, might easily have contained more.'

The claims made on behalf of German sickness, infirmity and old-age insurance will be considered next, together with the criticism to which the scheme, as a whole, has been subjected, but the reader must

first be reminded that it has been so recently adopted that the full effects can hardly be gauged as yet.

It is alleged that improved relations between masters and men have been brought about by compulsory insurance, but scepticism as to the validity of this claim is common, and the fact of there being improved relations to account for has been denied. Employers' contributions to the insurance funds, it must be remembered, are enforced and not voluntarily conceded, and it is quite likely that the working classes are not convinced that such contributions, or some portion of them, are not now deducted from wages. A large proportion of the burden of the German scheme of insurance having been imposed suddenly upon employers, it is apparent that real wages were forced up, temporarily at least. Industry was certainly not damaged appreciably; no check on its expansion was apparent. Possibly portions of the sums paid by employers were soon recovered as wages were rising and the rise could be checked, and the operative class may have been rendered more efficient. Lass and Zahn argue:— 'With the improvements in the material and social position of the working men, which have been introduced through working men's insurance, there is a spontaneous increase in their pleasure in work, and at the same time in the quality and amount of their product; therefore the employers are, in general, quite willing to bear heavy burdens in money and voluntary service.' But the impartial observer, in view of other evidence, will not be satisfied that they describe facts, though they indicate a consummation that is not impossible and is much to be

desired. There is no doubt, however, that sickness and invalidity insurance has caused greater regard to be paid to the prevention of sickness and the restoration of sick workpeople to health, as accident insurance has improved the care exercised in the treatment of injuries sustained in the industries, and brought about the more general introduction of devices for safeguarding workpeople from accidents. According to a report of 1903 there were then seventy to eighty consumptive sanatoria with 7,000 beds under the Insurance Acts, which claimed to be able to deal with 30,000 cases a year. The results beneath are reported[1]:

Fully restored to work	67·3
„ capable of other work	7·1
Partly „ „	14·6
Not able to earn a living	11·0

Or according to another classification:—

Cured or improved	87·7
Unimproved	8·7
Worse	3·1
Died	0·5

The strongest argument of the opponents of the scheme is psychological. It is contended that such effects are being wrought upon character that the causes of pauperism are significantly strengthened. The effects of the experiment upon the extent of pauperism and its direct cost have been investigated. Dr. Freund, who reported upon an examination made by the Verein für Armenpflege und Wohlthatigkeit (Society for Poor-relief and Charity) in 1895, declared that the task of the administrators of poor relief had been lightened by the insurance schemes,

[1] Shadwell's *Industrial Efficiency*, vol. ii. pp. 162–3.

but granted that the cost of poor-relief had risen. The increase of this cost, however, cannot reasonably be attributed in the main to the insurance schemes in view, firstly, of the slight degree in which the insured and paupers overlap, and secondly of the augmented cost of poor-relief per head of the population in England, France, and the United States.[1] The explanation is probably (*a*) growing urban populations, (*b*) enlarged expenditure necessitated by the Act adopted by Prussia in 1891 and the Empire in 1894, and (*c*) a voluntary improvement of the allowances made to persons in distress.[2] Dr. Freund, indeed, welcomes the increase as indicating that a higher standard of life must be provided for, and that almoners are more willing to meet the needs of poverty adequately. Both facts, he thinks, are partially due to the insurance schemes. Niggardliness in helping the poor is not good in itself, and generosity is permissible provided that it is accompanied by the lavish expenditure of care and attention in classifying applicants for assistance and dealing with cases individually. But the following passage, quoted by Professor Farnam from the *Vierteljahrshefte zur Statistik des Deutschen Reichs*, cannot be lightly dismissed, though investigation might show that the facts, if facts, were not of dimensions to be alarming—it is always difficult to appreciate rightly intangible social data—'The shrinking from the eleemosynary character of poor relief is disappearing among the needy, those who are not insured demand public support more

[1] See Cd. 2337, pp. 129–147.

[2] See Dr. Pinkus' articles in the *Yale Review*, February 1904 and February 1905.

frequently than formerly, and even occasionally refuse private aid. Then, again, those who are not insured, seeing the amounts which are paid to those who are insured, demand a more ample allowance from the poor law authorities, and not infrequently get it.'[1] Even if this be correct, the question still remains as to whether the good effects of the insurance laws do not counterbalance their undesirable accompaniments. The good effects we shall dwell upon later.

Wilhelm Helling made another report to the Verein für Armenpflege on the same subject in 1901. He declares that many persons with slightly impaired efficiency now support themselves out of their earnings and the pension, and so do not need poor relief, and again draws attention to the point, which has frequently been emphasised, that by the prompt attention now given to sickness and injuries, much lingering illness, and ultimate pauperism, is avoided. He complains, however, that poor law authorities have completed insurances for people who have neglected it by paying up arrears, because it was cheaper to the authorities, whereby the individual's responsibility in the matter was weakened. This is now restricted, but not prevented entirely. Regret is expressed in the report that little use is made of the proviso by which workmen leaving a trade in which insurance is obligatory may continue their insurance, and also that so many women avail themselves of the permission to recover, on marriage, half the payments made for their insurance. Between 1895 and 1900, 838,430*l.* were paid out to women on their marriages, which must have represented some

[1] *Yale Review*, May 1904, pp. 104–5.

600,000 expectations of pensions. But probably not a few apologists would urge that these women act wisely in capitalising their future claims at such a time, and that it is good for the State that they should possess expectations to anticipate when they desire to marry.

Mr. H. W. Wolff writes in the *Charity Organisation Review* for December 1899[1] as follows:—'It is the policemen, and not the Government bribe, that has made workmen insure. Were compulsion to be withdrawn, so it is admitted, working men's insurances of themselves would cease at once. The offer of additional benefits in return for higher voluntary premiums has produced results so utterly insignificant, that the Government has thought it wise to drop the clause relating to it altogether in the new law, and to discontinue issuing the supplementary stamps. The working folk who escape liability to insure on legal grounds count it gain to be so rid of their 'benefit.' And although greater vigilance has succeeded in reducing the practice of shirking, a considerable number of persons who are legally liable still manage successfully to evade their obligation. In 1893 the proportion of such persons was ascertained to be about one in four.'

But it may reasonably be contended that some resistance was only to be expected at first, that relatively it is not great, and that it is early as yet to try to read the ultimate psychological effects of compulsory insurance. Had indifference to insurance not been apprehended, there would have been no ground

[1] The paper is reprinted in *Old-age Pensions* by various writers (Macmillan, 1908).

for compulsion. The fundamental plea of many advocates of compulsion is that carelessness about making provision for accident, sickness and old age is common; that though it may be naturally removable by social development, the change effected naturally must be very slow; that compulsion will secure immediate conformity to an imposed rule, and that ultimately, through the psychological effects of conformity, the will to act according to the rule will become general. Widespread attempts to shirk insurance prove such advocates to be right as to a part of their contention; it remains to be seen whether they are right as to the ultimate outcome of compulsion and State paternalism. Opponents would lay stress on the fear of the good will and the strong will being atrophied in the community.

We now turn to the results of an official investigation made by the Imperial Statistical Bureau in 1894, and published in 1897.[1] Five questions were circulated:

A. Has the case of the poor been relieved by working men's insurance?

(*a*) Through sick insurance?

(*b*) Through accident insurance?

(*c*) Through old-age and invalidity insurance?

B. Has the number of those supported and the amount spent upon them since the introduction of the several insurance laws not diminished, and to what is this to be attributed?

[1] See Professor Farnam's article in the *Yale Review* for May 1904. Professor Farnam and Professor Pinkus carried on a controversy on the effects of the German insurance laws in this journal from February 1904 to February 1905.

C. Has the care of the poor in numerous cases been made supplementary to the benefits of working men's insurance and provisionally substituted for them?

Ninety-two officials or boards responded. The maximum number of answers possible was 276, each part of question A being taken as a distinct interrogation. The simple affirmatives were 44 per cent. in relation to this number, while the qualified affirmatives reached 19 per cent. Sixty-three per cent. in all of the possible answers inclined, then, to the affirmative, but since, in some cases, no answers were forthcoming, a higher percentage would have to be taken as a measure of official impressions. If A, B and C be grouped together as one question and an affirmative answer of any section of it be taken as constituting an affirmative answer to the whole question, 60 per cent. of the answers were favourable, while 9 per cent. inclined to affirmation. A number of the responses, however, Professor Farnam warns us, were so couched as to be most difficult to classify. But at any rate it is apparent that a majority of those interested professionally in the care of the poor in Germany believe that compulsory insurance has reacted beneficially on the causes of poverty, though this majority is by no means overwhelming. Passing judgment on the insurance schemes in respect of their effect on pauperism had been rendered difficult, we must bear in mind, by the increased expenditure on the relief of poverty to which attention has already been called, and this swollen expenditure gave to the opponents of the State Insurance system a coign of vantage. Of the witnesses, 58 per cent. mention it.

All that affirmative answers to the first question with its three prongs amounts to, is that the burden on the poor funds would have been even more onerous but for compulsory workmen's insurance.

Critics of the German system have tried to drive their attack home by proving that the private saving of the working classes in Germany has been retarded, and that the check proceeds from a disposition which is being fostered in the community to shift more and more of their responsibilities on to Government. This is a grave charge, because the Government, when it introduced old-age pensions, was actuated partly by the desire to encourage thrift. The old-age pensions are pitched so low as to be as a rule inadequate, unless supplemented from other sources. The same may be said of many of the invalidity pensions. It was hoped that the working-class community, being compelled to make partial provision for comfortable retirement in old age and invalidity, and being afforded some help in addition, would be stimulated into doing the rest for themselves. Should this hope not be realised, the German scheme of old-age pensions will be a complete failure, and the scheme of invalidity pensions a partial failure.

Of the increase of depositors in German savings banks and of deposits, the figures appended bear ample witness, but they alone will not settle the question, as they are obviously deficient as evidence of saving by the working classes. They are silent as to the classes of depositors whose savings have increased, and it might be that middle-class investors had enlarged their balances while poorer depositors had contracted theirs. Fortunately some

GENERAL RESULTS OF SAVINGS BANKS.

Years	SAXONY		PRUSSIA		BADEN		BAVARIA		BREMEN		BERLIN	
	Number of Depositors in Thousands	Amount of Deposits. Million £'s	Number of Accounts in Thousands.	Amount of Deposits. Million £'s	Number of Deposits in Thousands	Amount of Deposits. Million £'s	Number of Depositors in Thousands	Amount of Deposits. Million £'s	Number of Books in Thousands	Amount of Deposits. Million £'s	Number of Books in Thousands	Amount of Deposits. Million £'s
1885–89 .	1,406	24·67	4,752	133·92	248	10·41	510	7·54	80	2·66	338	4·50
1890–94 .	1,794	31·62	6,025	179·91	904	13·85	619	10·28	105	3·04	459	7·09
1895–99 .	2,120	41·59	7,856	248·34	379	18·44	754	14·12	126	3·55	609	10·51
1900 . .	2,237	46·27	8,671	287·29	429	21·29	810	15·99	—	—	697	12·65
1901 . .	—	—	9,035	311·83	447	22·73	—	—	—	—	719	13·23
1902 . .	—	—	—	—	—	—	—	—	—	—	739	14·04

figures of the number of books for various sums are published; and in addition for Bremen there are statistics of the total amounts deposited in each class of amounts. These statistics, as prepared by Professor Pinkus, of Göttingen, for his article in the *Yale Review* (November 1904), are set forth below. Those who are interested in the detailed bearing of the figures would do well to follow Professor Pinkus's discriminating guidance in the article in question.

These figures have been selected to cover the various types of districts, which differ so greatly in respect of economic features and the character of their populations, that what is true of one is not necessarily true of another: Saxony, for instance, is more industrial as a whole than Prussia or Baden. In order to give a picture of the state of affairs in the towns, figures for Berlin and Bremen (an almost exclusively commercial city) were tabulated also. The Bremen figures possess the further merit of yielding a kind of information which is not obtainable from the returns for other places. The inferences from the tables are unmistakable. Deposits in every

Absolute Number of Savings Bank Books in each Class (in Thousands).

Year	Prussia							Baden				Saxony		
	Under £3	£3–£7 10s.	£7 10s.–£15	£15–£30	£30–£150	£150–£500	Over £500	1s.–£2 10s.	£2 10s.–£5	£5–£25	Over £25	Under £3	£3–£30	Over £30
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1881	772	583	511	489	673	—	—		40		58	69	323	450	185
1886	1,290	781	675	682	1,006	—	—	—	—	—	—	—	574	271
1891	1,690	940	824	889	1,391	—	—	52	26	93	112	493	695	356
1896	2,067	1,138	1,010	1,106	1,621	245	30	62	32	114	147	607	845	474
1901	2,514	1,353	1,209	1,373	2,165	334	40	76	38	141	192	716	—	—

Percentages of Savings Bank Books in each Class.

At the end of the year	Prussia							Berlin					Saxony			
	Under £3	£3–£7 10s.	£7 10s.–£15	£15–£30	£30–£150	£150–£500	Over £500	1s.–£3	£3–£7 10s.	£7 10s.–£15	£15–£30	Over £30	1s.–£3	£3–£7 10s.	£7 10s.–£30	Over £30
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1886	—	—	—	—	—	—	—	35·43	19·86	15·89	15·67	14·06	36·84	15·68	27·16	20·26
1891	29·35	16·42	14·39	15·54		24·30		32·61	17·20	15·13	16·00	18·86	36·62	15·4	26·6	21·4
								March 31st								
1896	28·65	15·77	13·99	15·32	22·46	3·41	0·41	30·38	16·82	15·58	16·18	24·04	35·19	15·18	26·32	23·31
1901	27·97	15·05	13·46	15·27	24·08	3·72	0·45	29·15	15·97	14·94	16·49	24·45	—	—	—	—

Bremen Savings Banks; Percentages of Books and Sums deposited in the Individual Classes.

Year	Under £3		£3–£7 10s.		£7 10s.–£15		£15–£30		£30–£50		£50–£250		£250–£500		Over £500	
	Books	Sums deposited	Books	Sums deposited	Books	Sums deposited	Books	Sums deposited	Books	Sums deposited	Books	Sums deposited	Books	Sums deposited	Books	Sums deposited
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1883	42·15	0·97	19·63	1·78	10·15	3·08	11·02	6·63	7·15	7·88	14·29	42·62	1·77	16·82	0·84	20·22
1888	42·10	1·02	11·97	1·85	9·37	3·14	10·72	7·21	8·55	10·58	13·92	44·10	1·81	19·26	0·56	12·83
1893	45·23	1·18	13·02	2·09	9·29	3·61	10·29	7·79	7·93	11·01	13·38	46·40	1·41	16·78	0·45	11·24
1898	46·26	1·20	13·18	2·16	9·14	3·63	10·29	7·96	7·58	10·67	13·43	47·80	1·46	17·62	0·35	8·96

class, including the smallest, have increased absolutely, and faster than the population. The enormous drop in the proportion of deposits over 500*l.* to the total deposits in Bremen may possibly be explicable by improvements in mercantile investments and greater facilities for making them. From an examination of savings-bank figures from year to year, Professor Pinkus thinks he has discovered evidence of the lowest class of depositors being recruited from the ranks of the classes just above owing to the diversion of payments from the savings banks to the insurance offices. But there are no signs of saving by the poor diminishing, in spite of the enormous sums paid over by them under the insurance scheme.

The results of this review of savings-banks' figures are not unpromising to the success of compulsory insurance. Professor Pinkus' conclusion strikes us as on the whole just:—'It was to be expected that, when hundreds of millions were put together yearly by the workpeople, the savings banks would have to feel the drain; but as the absolute number of depositors and of sums deposited in savings banks has not decreased, and as the savings of the working classes visibly grow, the German legislator may contemplate his work with just pride. And this also may be repeated with special stress, that not by those sums only that are deposited by the workpeople in savings banks, but by these, added to the total of their contributions to workmen's insurance, may we form an idea of the true state and development of their thrift, and of the influence of social insurance.'[1]

[1] *Yale Review*, November 1904, p. 328.

In England provision for such workmen's insurance as is not covered by the new laws relating to compensation for accidents is made by the voluntary system of friendly societies, and perhaps it may prove a convenience if at this juncture we notice shortly the English plan. In some ways it resembles that which existed in Germany before the introduction of compulsory insurance, only it is more complete, and though, relatively speaking, as many persons are insured in the English friendly societies as under the German compulsory scheme, quite the same classes do not appear to be included. A far larger proportion of the lower middle class is insured under the English than under the German system. Some figures may be quoted for the purpose of very rough comparison, but little can be inferred from them for the reasons stated below.

United Kingdom.

Membership of all Friendly Societies . . .	18½ millions.
„ Friendly Societies proper . .	12⅔ millions.

i.e. about $\frac{1}{10}$ of the population of the United Kingdom.[1]

Germany.

Number of persons insured against Old Age and Infirmity, in 1902	18½ millions.
or ⅓ of the population.	
Number of persons insured against Sickness, in 1902	10½ millions.
or ⅛ of the population.	

Against German accident insurance must be set the English Workman's Compensation Act, so that both may be omitted from the comparison.

[1] There are few friendly societies in Scotland or Ireland, and if the above membership be expressed as a proportion of the population of England and Wales, the fraction approaches $\frac{1}{10}$.

No English figures are published from which the average benefits provided by friendly societies may be deduced, so it is practically impossible to carry the comparison much further. We know that fourteen British friendly societies, with an adult male membership of about 2,530,000, paid in benefits on account of male adults nearly 2,900,000*l.* in 1902, but it would not be correct to infer from this that nearly fifteen millions a year are paid to the thirteen million members of friendly societies, as the fourteen societies are of an average rank far above that of most other societies. Other difficulties also lie in the way of comparison, namely, that saving through the State scheme is supplemented by private saving in Germany, and that in England there are further the working-class insurances effected through the unregistered friendly societies, the number of which is considerable, the popular insurance companies with small premiums, and the trade unions,[1] whose friendly society functions are far more developed in England than in Germany, and the savings invested in co-operative societies, savings banks, building societies and similar institutions.

It will be of interest to consider the cost of friendly society benefit in England. According to Mr. Watson's account of his investigation of the sickness and mortality experience of the Independent Order of Oddfellows, Manchester Unity, during the five years 1893–7,[2] the benefits set forth below, the

[1] More than fifty British trade unions have now arranged old-age pension schemes.

[2] Quoted in the Report of the Chief Registrar of Friendly Societies, part A, 1904.

cost of which is said to be rising, are obtainable for the premiums there stated on entry at different ages :—

Benefits secured.

Benefits—
20s. a week during first 26 weeks of illness.
10s. „ „ second „ „
5s. „ „ remainder of sickness.
(These benefits being assured until the attainment of 65 years of age.)
10s. a week annuity benefit from 65 years of age.
£20 at death.
£10 at death of member's first wife.

Age at Entry	Annual Premium	Weekly Premium
	£ s. d.	s. d.
18	2 17 0	1 1
25	3 11 8	1 4½
30	4 5 11	1 8
35	5 6 1	2 0½
40	6 14 10	2 7

For the years prior to 1874 few statistics of friendly societies are available. The movement has been of an entirely voluntary character. The chief objects of the numerous Acts relating to it have been (*a*) to encourage thrift, and (*b*) to protect the public against fraud and mismanagement. Societies may register on complying with certain regulations, the chief intention of which is to cause their actuarial basis to be sound and their financial position to be periodically tested. Registration secures them certain important privileges. In early years many scandalous abuses and mishaps retarded their development. The chief types of societies are (1) the local societies, with three million members, (2) societies having branches with two and a half million members, and (3) collecting societies, with seven million members. There are in addition small benevolent societies, working

men's clubs, loan societies, medical societies and cattle societies, the total membership of which is about three-quarters of a million. Friendly societies are managed in a great variety of ways, and do their business by a diversity of methods. Sometimes they impose premiums, uniform or graded, and sometimes costs are shared by means of levies. The best societies accumulate reserves—the total property of the friendly societies amounted to nearly 45,000,000*l.* in 1902—and found their benefits upon a proper actuarial basis, but some share out their accumulations periodically. It should be noted, in conclusion, that one of the most serious costs of much working-class thrift which could be wholly saved is that of collecting weekly and monthly contributions by means of agents, who have sometimes to call at one house two or three times for a very small payment.

As in Great Britain so in the United States, workman's insurance broadly understood is organised in popular institutions known as mutual benefit societies, sick funeral benefit societies, endowment societies, and so forth. The use of them is not confined to the working classes, but workmen form a large proportion of their members. The security of some of the societies is not above suspicion, and though frequently their management is accused of being faulty, most of them thrive nevertheless. In addition a great deal of insurance is effected through the trade unions. Contrasting the German and American systems, Professor Münsterberg writes :—'The satisfaction felt in Germany with the laws for working men's insurance is fully justified; for they are doubtless excellent under German

conditions, but they might not seem so satisfactory to the average American, nor to the average American labourer. He looks on it as an interesting economic experiment, admirable for the ill-paid German working men, but wholly undesirable for the American.'[1]

French workmen's insurance, apart from arrangements as regards compensation for accidents described above, still rests mainly upon a voluntary basis. It differs from American, however, in that the Government has shown deeper interest in its development in France than in America, and has continually encouraged and subsidised private effort. In the case of seamen and miners the compulsory system, involving some contribution from the beneficiaries, has been adopted. The present cost of the seamen's scheme is about 650,000*l.* a year, and the average pensions are now about 15*l.* for seamen and 9*l.* 12*s.* 6*d.* for widows and orphans. To the cost the seamen contribute annually about 76,000*l.* and the Government nearly 450,000*l.* The miners' scheme is not merely a pension fund, but relates also to sickness. The receipts in 1904 were 278,500*l.*, of which the miners contributed 165,000*l.*, the employers 83,000*l.* To this scheme the State contributes no more than it does to the various voluntary arrangements which it fosters, and the amount of its assistance is not very considerable. In the case of old-age pensions its aid has been given through the *Caisse Nationale des Retraites pour la Vieillesse*, established in 1850, in the form of a series of subsidies and of a favourable rate of interest. The latter is less at the present time

[1] Münsterberg, *The Americans*, p. 319.

than it used to be some years ago when as much as 5 per cent. was paid. The contributions to the fund barely exceed 2,000,000*l.* a year, and four-fifths of this is attributable to collective insurance, that is arrangements made by societies for insurance of their members and by employers, or groups of employers, for insurance of their employees. Several old-age pension plans on the German lines have been brought forward: the most recent is a bill embodying the proposals of M. Millerand's committee, under which pensions would vary as wages, the minimum being 14*l.* 8*s.* 0*d.* a year, and the cost would be divided generally as in Germany. The bulk of French working-class insurance is effected through mutual benefit societies. Of these associations, there were at the end of 1899 about a million and three-quarters of participating members (of whom less than 300,000 were women and less than 45,000 children); the receipts for the year were 1,662,000*l.*, and the total property amounted to 12,480,000*l.*

We now propose to discuss in detail the narrower question, which has been so much debated of late in this country, as to whether it is beneficial to a community that State-supported old-age pensions should be instituted. Firstly, we must consider the merits and demerits of the several schemes that have been advocated, and secondly, we must inquire whether it is best to devote large sums to old-age pensions, assuming them to be on the whole absolutely desirable, or to spend the money in other ways for the benefit of the community. It must not be assumed that if the objections to old-age pensions

can be fully met, and the country can bear the cost, a pension scheme should be introduced.

We may grant at once that the benefits of every scheme of old-age pensions are considerable and obvious—disadvantages are less apparent, but they may be none the less real on that account. It is evident that many would be spared the wear and tear and discomfort of much anxiety about the future, and that the old age of many would be rendered happier. How far, as State supported, pensions would be in the long run an addition to wages would depend in a considerable degree upon the changes in taxation that they necessitated: any contributions exacted from employers, as in Germany, might be expected to fall in large part upon wages ultimately.

Old-age pension schemes may conveniently be classified in general as follows:—

I. State-provided pensions
   - (*a*) for all who have passed a certain age, or,
   - (*b*) for the deserving poor who are unable to support themselves.

II. Pensions to subsidise private thrift which is
   - (*a*) voluntarily undertaken, or
   - (*b*) enforced by the State.

These schemes may be referred to shortly in the order in which they stand above as the universal pension, the endowment of desert, the endowment of thrift, and compulsory insurance.

It must be noticed further that each of these types of pensions may be (i) inadequate, so that their value depends largely on the pensioners being

able to supplement them sufficiently from savings or with the help of friends or relatives; or (ii) adequate of themselves. It is probable that, owing to cost, universal pensions would fall into class (i). Germany has tried the compulsory insurance plan, but most other schemes in existence now rest in some degree upon proof being furnished of unavoidable poverty coupled with 'desert' broadly understood. All will agree that voluntary saving is better than compulsory saving if there is any hope of its being widespread and adequate. Voluntary saving means social vigour and foresight, which are worth encouraging. But suppose the apologists of the German plan are right—that improvidence must be the rule for generations if the aid of compulsion be not invoked, that compulsion will nurse and not discourage the will to save, and that the benefits far outweigh the disadvantages—would there be any hope of its succeeding amongst sentiments and traditions such as the English? Certainly so few in England advocate it, with its tiresome stamping of books and regulations, that we may almost regard it as outside the sphere of practical politics.

We propose now to discuss the difficulties in the way of these several schemes apart from the compulsory element, mainly from the point of view of this country, and then to consider the experiences of some other countries than Germany, in which State old-age pensions are already being paid. It will not be irrelevant to mention here that three official investigations of old-age pension schemes have been made in this country. A Royal Commission (the Aberdare Commission appointed in 1893) which contained members

of both Houses of Parliament and persons experienced in Poor Law, Charitable and Friendly Society administration, sat for two years; Lord Rothschild's 'committee of experts' examined schemes, one hundred in all, for a period of two years; and a select committee of members of Parliament (Mr. Chaplin's Committee) was appointed ten months after Lord Rothschild's Committee had reported. Mr. Chaplin's Committee, after a three months' sitting, found in July 1899 that there was '*primâ facie* evidence that it is possible to create a workable scheme of old-age pensions.' The two earlier bodies had reported unfavourably. A departmental committee delivered judgment on the financial aspects of the proposals of Mr. Chaplin's Committee, and in 1903 a select Committee of the House of Commons reported not unfavourably on a Bill embodying these proposals.

As regards universal pensions, Mr. Booth's revised proposals, that is universal pensions of 7*s.* a week for all men over seventy, and 5*s.* a week for all women over seventy, would probably cost about 13,000,000*l.* a year in addition to what is now spent on poor relief, the present population being taken as a basis. In this estimate deductions have been made of 3,000,000*l.* for the well-to-do who would not claim the pension, and of 3,000,000*l.* a year for the saving in expenditure on poor relief. It is an integral part of the plan that out-relief for the aged should generally be abolished. Mr. Booth hopes that the prospects of a small pension will result in more saving and less poverty, but as we have seen there are authorities who foretell the exact opposite, and from the experience of Germany we cannot unfortunately draw an indisputable

conclusion. As to the first deduction, the proportion of people refusing the pension perhaps might not be high after the country had accustomed itself to the State pension, and when absolutely no stigma was felt to attach to its acceptance, which is the intention of those who advocate such pensions. Universal pensions of 5*s.* a week for all over sixty-five (Mr. Booth's first proposal) would cost even more. But 13,000,000*l.* would be a serious burden, and a Government which devoted such a sum annually to old-age pensions could hardly hope to have much to spend upon other social reforms for some time to come: 13,000,000*l.* is about one-eleventh of our national budget and little less than one-eighth of what it was in the last five years of the nineteenth century.

We must not shut our eyes to the fact that there is no guarantee that seventy or even sixty-five as the age-limit would continue to satisfy those who desire the pension, though it would be a mistake to attach much weight to this consideration. No natural line of division lies between people of, say, sixty-four and sixty-five. One man is hale and efficient at sixty-five, another man is decrepit at fifty-five. An old-age pension for the latter after, let us suppose, receipt of poor relief for ten years would be a doubtful boon. In his second scheme Mr. Booth allows for the discounting of the pension expectation between sixty and seventy in the case of persons who are 'in evident danger of having sooner or later to seek relief.' In connection with this proposal we must not lose sight of the tendency for some labour to be displaced before old age is reached, because, not being in its prime, it is

unable to earn the minimum enforced by the trade union concerned. It would hardly be wise for the State to assume the responsibility of supporting those 'too old to work.' 'Too old to work' is a relative expression.

There would be a tendency also for pensions to increase if they were instituted on an inadequate scale at first. It would be fatal to supplement them out of poor rates, because if poor relief were assimilated to universal pensions, many would be induced to make no special effort to escape falling upon the rates. And in time it is not unlikely that the public might learn to class the State which made inadequate old-age grants with employers who paid sweating rates.

We may conclude, therefore, that 13,000,000*l.* is probably below the expense that would ultimately be incurred. Forces would be created to raise this amount, and it might be difficult to stem the tide when surpluses swelled the treasury.

We may suitably notice here the difficulty that some have met with in reconciling the superannuation pay of many in Government offices and certain institutions with objections to universal old-age pensions. It may be contended with some reason that the services in which pensions are paid are usually of a special kind, namely, those to which a person should devote the whole or the most of his working life, and in which it is uneconomical, or even dangerous, to employ people whose abilities are sensibly declining. The efficiency of the Government would be seriously impaired, for instance, if many of its high officials were intellectually inelastic owing to

mental decay. In the Government service, in which observe the Government is in the place of employer, the whole of the best of a person's life is wanted as a rule, and it is found convenient, both to secure continuity of work in the same occupation and to remove difficulties in the way of retiring officials compulsorily, to buy labour by varying payments rising according to success in the service and falling, but not ending, on the removal of the person in question from active work. The system is to be regarded chiefly as an ingenious method of paying wages so as to secure the best results. Some work, other than that in the public service, such as in education and the railway service, is sufficiently similar for the same plan to be advantageous. The strict industrial analogy to the public-service pensions is to be found in the superannuation schemes of business firms. But to these the trade unions have frequently objected with some reason, on the ground that they check the mobility of labour. It is only desirable to have pension systems on this basis when there is little shifting on the part of the labour affected, and much shifting should be avoided. Moreover, the public-service and other pensions that have been noticed above are not to be regarded as subsidised. Except for the State subvention, pensions under the German scheme are of the same kind, employers' contributions being of the nature of deferred pay.

We select next for specific consideration State pensions paid only as a subsidy on provision for old age made by private saving. It has been argued that this scheme would necessitate a State guarantee of the solvency of at least some friendly

societies, involving interference that might damage their value. But this objection is hardly of serious moment. It is desirable to give some protection to the public against fraud and ignorance in all cases, and for the thrift of the most cautious the savings banks could be developed if it were essential. Again, the scarcity of friendly societies in parts of Scotland, Ireland, and Wales is not an insuperable obstacle. The post-office savings bank can reach all parts, and with a little encouragement insurance companies and friendly societies might be induced to extend their boundaries. But the plan does begin to present an awkward appearance when we take into account the savings in unregistered friendly societies and trade unions which may be lost; intangible providence, for instance in the superior education of children, which is at least as worthy as the accumulating of money; and the diverse forms that provision for the future may assume, some of which it is most undesirable to discourage. It is frequently better for the workman to employ his savings as capital to advance his interests than to use them in the form of insurance. Mr. Lecky, in his Report to the Special Committee of the House of Commons on the aged deserving poor in 1899 (Chaplin's Committee), from the finding of which he dissented, wrote:—

> The object of the great majority of the schemes that have been brought forward is to prescribe the form that thrift must take by offering a pension to such working men as have secured for themselves a small annuity. There is, I think, a wide and well-founded consensus of competent opinion that such an attempt is exceedingly unwise. In the infinitely various conditions of a working man's life

thrift will take many forms, and an attempt to prescribe a single form is eminently injudicious. The whole life plan of a farmer, whose farm will remain with him to the end, will be different from that of an artisan or a domestic servant, whose power of earning a livelihood depends entirely upon his physical strength. The former will probably find it most profitable to expend his savings on the improvements of his farm. Where the system of peasant proprietorship prevails, most agricultural thrift is directed to the purchase or enlargement of farms. In Ireland it is largely directed to the purchase of tenant-right. It is still more frequently directed to saving a sufficient sum to enable the younger members of the family to emigrate to a country where so many of their relations have already gone, and where they can easily earn a sufficiency for their old age without any State assistance. Nor is it by any means true that even the artisan will find the purchase of an annuity the best thing to be aimed at. It is noticed that, while working-class thrift has enormously increased in our generation, the purchase of a deferred annuity is one of the rarest and most unpopular forms of working-class investment. To buy a house or some furniture, to start a small business, to expend his savings in tiding over periods of slack or failing work, to avail himself of the advantage which some fluctuation in the market gives to the man who can transport himself promptly to another locality or a new business, is in many cases far more to the advantage of a working man than the purchase of an annuity. Above all, money expended in settling his family is often his best policy, as well as the course which is most beneficial to the community. At present a large proportion of working men look forward to their children to help them in their old age, and make it a main object of their lives to place them in a position to do so. It does not seem to me a wise thing for the State, which has already freed parents from the natural duty of providing for their children's education, to emancipate children from this duty. Nor does it seem to me either wise or moral for the State to induce every married working

man to sink all his savings in an annuity which will end with his life, and from which his widow and children can derive no benefit.

Connected with any system of old-age pensions there would be administrative difficulties, but these on the present occasion it is needless to press.

The pension for the deserving only of the aged poor is another type. As one example we may select the scheme recommended by the committee of 1899, this being the only one which has received any measure of official support. As summarised by the select committee appointed to report upon its financial aspects, the qualifications constituting eligibility for a pension, both in the case of men and women, were :—

(1) British nationality.

(2) Attainment of the age of sixty-five.

(3) Absence of conviction for any serious offence between the ages of forty-five and sixty-five.

(4) Non-receipt of poor-law relief (other than medical relief) during the twenty years preceding the application for a pension, unless in circumstances of a wholly exceptional character.

(5) Residence within a given district.

(6) Non-possession of an income (from any source) of more than 10*s.* a week.

(7) Proved industry or proved exercise of reasonable providence by some definite mode of thrift.

'To all those who fulfilled these qualifications to the satisfaction of the pension authority, that authority, composed in part of guardians of the poor, was to award pensions of not less than 5*s.* a week (*i.e.* 13*l.* per annum), or more than 7*s.* a week (*i.e.* 18*l.* per annum), according to the cost of living in the locality, the

award being made for not less than three years and renewable thereafter, but liable at any time to be withdrawn. The cost of the pensions was to be borne by the common fund to the union, to which the exchequer would contribute not more than half the total pension charge; such contribution being allocated, not in proportion to the amount of the awards, but on a basis of population.'

The committee appointed to examine into the financial aspects of these proposals reported their conclusions with some diffidence, owing to the want of accurate data, and also no doubt because the inquiry was not aimed at revealing existing facts, but at determining the probable financial consequences of a proposed course of action. We may assume, in view of the expert constitution of the committee, that the estimates offered were not excessively wide of the mark. The final estimates, framed to 'err (if at all) on the side of being rather over than under the mark,' stood as follows [1]:—

Year	England and Wales	Scotland	Ireland	United Kingdom
	£	£	£	£
1901	7,550,000	1,400,000	1,350,000	10,300,000
1911	9,600,000	1,600,000	1,450,000	12,650,000
1921	12,300,000	1,850,000	1,500,000	15,650,000

The anticipated costs are heavy for what the scheme offers, and there are other objections. It is obvious, for instance, that some of the criticisms already passed upon universal old-age pensions apply,

[1] These estimates are brought up to date in the Blue Book Cd. 3618, where also an account will be found of the methods pursued, which included a test census carried out in certain districts. For pensions already paid in this country see Appendix B to this chapter.

and there is the danger, which, though frequently exaggerated, is not negligible, that the sixth qualification might render old people 'afraid to work, afraid to save, and afraid to get their friends to help them.' The committee on finances took the view that the seventh qualification, namely, proved industry or proved exercise of reasonable providence by 'some definite mode of thrift,' which implies that some additional merit would be required in those who were eligible under other heads, would not appreciably exclude. 'We think,' the committee declare, 'it is most probable that comparatively few persons who succeeded in satisfying the pension authority under the first six heads laid down by the select committee would be unable to adduce some proof of compliance with the seventh qualification. And we believe that probability becomes almost a certainty when "industry" is held to constitute eligibility as well as "reasonable providence." Indeed, it seems only fair and just to assume that, if persons who are left at the age of sixty-five with such slender means as 10*s.* a week (and in many cases less, and much less, than 10*s.* a week) have succeeded in keeping off the union throughout the preceding twenty years, the bulk of them must during their working lives have been "industrious" or have exercised "reasonable providence," whether at the pensionable age they can or cannot adduce direct proof of being members of benefit societies or depositors in savings banks. In other words, it is tolerably certain that the lazy and improvident folk among the working classes will, by the time that they have reached the age of sixty-five, have frequently had resort to poor-law relief, or else

have found their way to the workhouse.' Under the seventh qualification, therefore, the committee made a deduction of ten per cent. only, which they held to be 'possibly too ample.'

It is evident that both the 'endowment of thrift' and 'endowment of desert' pensions could drift easily into the system of universal old-age pensions. In the former case the *differentia* 'thrift,' under lax administration, especially in view of the difficulties due to the innumerable forms of thrift, might be so widely interpreted as to rule out only the most notoriously improvident. In the latter case the *differentia* of merit (as indicated by the non-receipt of poor relief, excluding only that of an exceptional character, and 'proved industry or proved exercise of reasonable providence by some definite mode of thrift') could insensibly be narrowed down so as to cause no refusal of pensions except to those whose carelessness or evil ways admitted of no question. A liberal interpretation of the conditions would naturally arise if a considerable stigma came to be attached to the receipt of poor relief by the aged when it implied that a pension had been refused. Experience in the Australasian colonies gives weight to these *à priori* expectations. Where cost is kept down it is only by means of painstaking inquisition, submission to which might be felt as degrading as going before the guardians. The effectiveness of the Charity Organisation Society to-day is weakened by people's dislike of being 'investigated.' The authorities charged with determining the unavoidable poverty and 'thrift' or 'desert,' as the case may be, would be in an awkward position. There are objections, we may

note, to these authorities being the poor law guardians, since to delegate the task to them might be to resign one of the objects for which old-age pensions are advocated, that is the removal of some poor persons from the 'pauper taint' on the one hand and dire necessity on the other hand.

Had the Chaplin Committee not attempted to define by the method of exclusion those to whom pensions might unobjectionably be accorded, and confined their recommendations to the 'hard cases,' their proposals would have been similar to the policy pursued just after their report by the Local Government Board. A circular was issued by the President of the Local Government Board on August 4, 1900, to boards of guardians suggesting some slight reform along these lines. 'With regard to the treatment of the Aged Deserving Poor,' the circular runs, 'it has been felt that persons who have habitually led decent and deserving lives should, if they require relief in their old age, receive different treatment from those whose previous habits and character have been unsatisfactory, and who have failed to exercise thrift in the bringing up of their families or otherwise. The Board consider that aged deserving persons should not be urged to enter the workhouse at all, unless there is some cause which renders such a course necessary, such as infirmity of mind or body, the absence of house accommodation or of a suitable person to care for them, or some similar cause, but that they should be relieved by having adequate outdoor relief granted to them. The board are happy to think that it is commonly the practice of boards of guardians to grant outdoor relief in such cases, but they are afraid

that too frequently such relief is not adequate in amount. They are desirous of pressing upon the guardians that such relief should, when granted, be always adequate.

'When, however, it is necessary that such person should receive indoor relief, the board consider that they might be granted certain privileges which could not be accorded to every inmate of the workhouse.'

Similar in spirit to this policy is a scheme which has been in operation in Denmark since 1892, when the stringent Poor Law Reform Bill was passed. People over sixty may make application for old-age pensions to authorities constituted for the purpose of granting them. It is required that the applicant should be over sixty, not have been convicted of any crime or taken part in any dishonourable transaction, not have received a penny of poor relief for the previous ten years, be in need of help, his poverty not being his own fault, and have led a reputable life. The applicant fills in a form and gets the signatures of witnesses, who are punished if they make false or careless statements. Afterwards strict inquiries are instituted. That these are not formal and perfunctory is evident from the fact that over 1,000 applications were refused in the first year, when 5,339 were made. The proportion rejected is now much less, as those with weak cases find it wiser not to apply, but to take help from the poor law in the ordinary way. The pensions given may be 'in money or in kind as circumstances require, or consist in free admission to a suitable asylum, or other establishment intended for the purpose.' The assistance must

be sufficient for the adequate support of the person relieved, but a small quantity of property of a defined amount is not taken into account when pensions are fixed, so that thrift may not be discouraged. Pensions may be confiscated if pensioners do not continue to lead consistently reputable lives. The system is said to work excellently, and at a cost which is not excessive, but the experiment is too recent for a final judgment to be framed. Professor Flux made a calculation in 1897, and found that if the same plan were applied in the United Kingdom, conditions being supposed the same, but the age-limit being taken as sixty-five, the annual cost, after the special relief system had been in operation five and a half years, might be 7,000,000*l.* gross, it being supposed that the average pension would be 5*s.* a week. And the experience of Denmark shows that a saving of 3,000,000*l.* might possibly be effected in poor relief, so that the net cost would be 4,000,000*l.* only.[1] This appears to be a very low estimate, but it is sufficient to show that, even with larger pensions and less saving in poor rates, the cost would still be far from ruinous. Adequate pensions for the most deserving are better than inadequate pensions for everybody. The requirement of special desert has created special desert in Denmark, we are told, and this accounts partly for the low average pension—only about 8*l.* 10*s.* for Copenhagen, and less than 6*l.* for Denmark as a whole in 1896—many applicants having saved something, and for the diminution of pauperism. The

[1] Professor Flux's pamphlet is a reprint with an introduction of an article written by him for the *Yale Review*, February 1899. An interesting short sketch of the Danish poor relief system has been written by Miss Sellers (1904).

latter result is partly occasioned by the new poor law. In conclusion, we may quote Professor Flux's summary of the opinion of Professor Hansen, an economist of the University of Copenhagen. 'It may be admitted that thrift and private charity are discouraged, so far as they touch persons over sixty, and the provision for maintenance over sixty; also that the stimulus to labour is weakened after the sixtieth year is passed. On the other hand, both thrift and private charity have been stimulated so far as they are concerned with provision for maintenance between the ages of fifty and sixty. The motive for maintaining independence during these years is strengthened, and its effectiveness is greatly increased by the consideration that a limited task, the completion of which is not so distant and uncertain as to deter men from attempting it, is all that is now imposed on the honest and industrious, though indigent, person, or on friends, former employers or others, who may be interested in helping him. Many shrink from trying what seems impossible of achievement, and much effort, which would otherwise have remained latent, has been evoked by bringing the task within the reach of a wider circle of persons.' Many of the general criticisms of the proposal made by Mr. Chaplin's Committee apply to the Danish scheme, but the difficulties suggested are not insuperable.

Official management, it is commonly agreed, must fail as a rule to attain a high level of efficiency when minute investigation and detailed elastic arrangements are requisite. It must rely to a large extent on general rules; it cannot individualise its treatment. On the other hand, were the assistance

of the deserving old people left to private benevolence, no uniformity at all would characterise the help given. Many of the most worthy would be overlooked and the plausible would reap a rich harvest from the credulity of the kind-hearted. Few persons have the time to investigate cases or the requisite wisdom, either innate or acquired after long experience. All have not friends in distant places who will devote time to verifying the tales told by those seeking relief. The assistance given to friends who are known is of course another matter. We must conclude, therefore, that much relief dispensed directly by the individual may be productive of as much harm as good, or more harm than good, and may undermine the operation of the poor law; and that the deserving suffer in consequence because the successful pillage of society by worthless persons tends to dry up the fount of charity. We therefore find ourselves impelled to the conclusion, by the defects at opposite extremes of the private and official dispensing of relief, that some part of the problem of aged poverty can be adequately dealt with only by a voluntary national organisation. Such a body we possess in the Charity Organisation Society, but so far its work is crippled by its not being sufficiently known and supported either financially or by helpers of the right kind. But still some excellent work is done among 'hard cases' and special cases by this society working in co-operation with the poor law officials. Large numbers of pensions have already been arranged for. By getting into touch with all the existing charities the association prevents overlapping and assists in directing the available funds into

the right channels. As regards existing charities it is satisfactory to note that to some extent pensions have been superseding doles under the direction of the Charity Commissioners.

In all discussions of old-age pensions and poor relief, it must be remembered that the existing state of society is transient. Many of the evils of to-day are peculiar to just this age, and while in helping the poor we must be on our guard against perpetuating ills of which society is progressively divesting itself, we must be careful not to fall into the opposite error of judging a course of action bad because it would be bad were its indefinite continuance unavoidable.

Now what are the facts as to the state of the aged poor in this country? That the number of the population over sixty-five who are paupers is high cannot be denied. It probably approaches at times twenty per cent., but it is questionable whether it ever passes that figure normally.[1] Of these aged poor about three-fourths as a rule receive outdoor relief, and the number of paupers among persons over sixty-five is partly occasioned by the easy treatment that applicants frequently meet with from the guardians on account of their age. Of those actually in the workhouses, about one-third are in the infirmaries and sick wards, and it is probable from inquiries which have been made that many of the remainder are homeless and could not leave the workhouse were pensions of *5s.* a week, or even a little more, offered them.

[1] For a discussion of this question and an analysis of some counts that were made see *Old Age Pensions* (Macmillan, 1908), pp. 31–4, 179. See also Cd. 3618 and Booth's *Aged Poor*. For pensions now paid in this country see Appendix B to this chapter.

From the condition of most of the aged workpeople in England it would appear that the providence of the working classes cannot be forced entirely into commercial categories. It must not be supposed that the saving effected through insurance offices or friendly societies is the only form which providence can take. Many aged workpeople naturally live with children, and most of them must not be regarded as destitute or precariously situated. Their support is securely lodged in the social sentiments of their class. In the existing social economy much thrift means mutually recognised family obligations which dovetail generation into generation. Back-thought takes the place of some forethought. And saving by a system of giving and receiving help is liable to be overlooked.

It is important that we should not be blind to the fundamental claims underlying the several proposals for State old-age pensions. In so far as the differential treatment of poverty among those whose desert or thrift is unquestionable is suggested, no break, or no considerable break, with tradition is necessarily entailed. The intention may be merely to ease the operation of the old principle of poor relief wherever it is possible to do so without causing social demoralisation, or it may be, as a matter of policy chiefly, to supplement deterrent checks upon pauperism with positive inducements to avoid it. Many advocates of universal pensions for the aged poor, however, suggest that the State should redress to some extent any 'injustice' in the actual distribution of wealth, and some argue that the poorer classes would make themselves and their children

more efficient if they did not try to provide fully for their old age. It must be conceded that there is an element of truth in the latter contention, and that there is much undesirable inequality in the distribution of wealth in the world no unbiassed observer could deny. Economic laws are only very roughly realised, so that all do not get their deserts; and if they were perfectly realised the distribution which satisfied our notions of fairness would not be assured. Chance explains a great number of successes and as many failures. Old-age pensions would be a small consolation to those who for a variety of reasons had gained but sparely of this world's goods in the battle of life. They are not open to the fatal objections which can be urged against other methods of employing the State to rearrange incomes directly. The danger of discouraging independence and of persuading people to lean on the State may be pressed, however. The system of supplementing wages from public funds, once tried in this country, rapidly corrupted a large section of the population, yet it would be a misinterpretation of experience to suppose that deferred allowances for the support of old age would have at all the same degree of influence. It is not easy to strike a balance between the good and bad effects likely to result from the grant of pensions to all the aged poor, when so many of the consequences which must be taken into account are remote, of a subtle psychological character, or such as bear mainly upon other spheres, as for instance the political. But it may be possible to determine upon a course of action without striking this balance, for the practical question of whether a costly system of old-age pensions

should be instituted would not be settled even were it quite satisfactorily demonstrated that their good effects were calculated to counterbalance their harmful effects, and show a substantial balance of advantage. May not the harshness of extreme social inequalities be more effectively redressed in some other way? The possibilities of expenditure for social purposes are illimitable, and, the amount at the disposal of the State being limited, a careful selection must be made of the most fruitful line of expenditure.

In order to guide our choice it would be well to distinguish between social reforms producing benefits that die with their recipients and those of which the benefits are cumulative. The endowment of old age is mainly of the first order, if it is to be classed as a social good. The endowment of capable youth is of the second order—that is, expenditure to secure the highest possible development of the health, strength and intelligence of the rising generation, and the equalisation of opportunity, so that each may be fitted for, and rise to, the work for which his latent powers render him suited. It would be wiser, therefore, to spend chiefly on society in its plastic age, so as to secure for it its best attainable future. Were this done adequately, the need for old-age pensions would be largely removed ultimately. Old-age pensions could do little to raise the incomes of the lowest paid classes. Differences between incomes that are earned are due to differences between the marginal worths of the various classes of labour. In order to raise the wage of a class, the 'worth' of that class must be raised. Its worth may be raised in two ways: first,

through the skill and intelligence of the class being improved; secondly, through the 'vertical mobility' of society being increased, so that a class which is relatively in excess may be relatively reduced (by its more ambitious members pressing on to better-paid classes) and the average efficiency of directing labour may be enhanced and enterprise be stimulated. The degree of 'vertical mobility' is not high in this country. Certainly, expenditure on the training and placing of the young would assist it, while old-age pensions would not appreciably affect it.

To large expenditure in aid of vertical mobility the objection has been made that only the few who rise are benefited, while the bulk of the working class—the great majority—is left in just the same position as before. This argument is fallacious. Other things being equal, the marginal value of a class varies inversely as its relative magnitude; hence the relative depletion of a class raises its marginal worth and so the wages of the remainder. Other things being equal, the marginal worth of a class varies with the efficiency and enterprise of the class employing it; hence the increased intensity and extensity of competition among employers should raise wages. To the objection that the depletion of the body of wage-earners brought about by improved vertical mobility would be insignificant in comparison with the size of that body, and that, therefore, any rise in wages due to greater scarcity would be inappreciable, reply has already been made by implication. This reasoning would be sound if the only effect of increased vertical mobility were to diminish the number of wage-earners, which is not the case. In addition, the numbers of

those in the better-paid groups are augmented. Hence we have spoken above of the 'relative' magnitude of the wage-earning class being reduced. As the higher grades are recruited the incomes earned in them fall; but the total national dividend or income is raised, the value of each unit of labour is enhanced, and therefore its wages rise. The curse of poor children, which is widespread, is the poverty which cuts them off from opportunities. Expenditure to remove it would be an investment enormously profitable to the community as a whole. The gains to be derived from the endowment of youth are immensely in excess of any to be derived from the endowment of old age. The latter may benefit the individual workman, but it leaves his descendants little or no better off, and all of them, except those of very exceptional force, remain still of the wage-earning class. The former breaks down economic class barriers, ensures that capacity shall receive appropriate training, and be placed in a better position for reaching the work that suits it, and indirectly raises the earnings of the lowest paid. The existence of economic classes, determined by economic functions, is in the public interest; but if the flow into any class is in the least restricted a public loss of wealth is entailed and also the encouragement of the disintegrating element of social class distinctions. To insure the best results, the efforts of a community should be concentrated upon bringing about the easy recruiting and depletion of the several economic classes, according to the need for different functions and the distribution of the various kinds of capacity among its members. Our conclusion is that money spent on a costly scheme

of old-age pensions would not be laid out to the best purpose. Lest we be too parsimonious in our dealings with the deserving poor of all kinds, we should however do well to remind ourselves that to forget the present in regard for the future is still to commit an error, though it is less flagrant than taking thought for the present only.

While the mother country has been hesitating, her offspring in Australia and New Zealand have taken the plunge. Old-age pensions were established in New Zealand[1] by law in November 1898, and the first pensions were paid in March 1899. The Act may be placed 'with the humanitarian proposals, the humble yet not ungenerous aim of which is to soften the bitterness of poverty to those aged who, while unfortunate, are not wholly undeserving.'[2] Its preamble declares that 'it is equitable that deserving persons who, during the prime of life, have helped to bear the public burdens of the colony by the payment of taxes, and to open up its resources by their labour and skill, should receive from the colony a pension in their old age.' All persons of sixty-four and upwards were to be eligible for pensions provided they fulfilled the following conditions. They must not have been absent more than two years altogether from New Zealand during the last twenty-five years before making their application. They must be either born or naturalised English subjects, Maoris being included. No Chinese, or any Asiatic apparently, in

[1] The white population was 772,700 in 1901, and the number over sixty-five was 31,358.

[2] Reeves, *State Experiments*, p. 750.

any circumstances can have a right to a pension. Applicants must not have served more than a stipulated amount of imprisonment during the twenty-five years before making application in respect of the more serious crimes and during the previous twelve years as regards other crimes. Each is required to prove to the satisfaction of a magistrate in open court that he or she has, for the previous five years, been leading a sober and reputable life and is of good moral character. Further, the full 18*l.* pension was only to be paid to those whose yearly income from all sources was less than 34*l.*; for every £ in excess of 34*l.*, 1*l.* was to be deducted from the pension. Further, a pensioner might own 50*l.* of property above and beyond all debts, but for every 15*l.* of property over that sum he forfeited the right to 1*l.* of pension.

So as not to discourage insurance through friendly societies, it was declared that '"Income" . . . shall be deemed to include personal earnings, but not any pension payable under this Act, nor any payment by way of sick-allowance or funeral benefit from any registered friendly society.' The whole burden of the pension was to fall upon the Government. In 1900 the Act was made permanent, and certain amendments were introduced. Further amendments were made in 1901, including a provision that a pension should be refused if the joint income of husband and wife exceeded 78*l.* Also more rigorous steps were to be taken to detect frauds, which Mr. Seddon admitted, in moving the Amendment Act of 1901, were not uncommon.

On July 29th, 1905, an Act received the Governor's assent which introduced very important

modifications as follows, to come into force immediately:—

1. An increase in the amount of pension from 18*l.* to 26*l.*

2. An increase from 52*l.* to 60*l.* in the amount of income required to disqualify an applicant.

3. An increase from 78*l.* to 90*l.* in the amount of joint income (with pension added) required to disqualify a married couple.

4. An equal division of all property owned between husband and wife.

5. An increase from 50*l.* to 150*l.* in the deduction allowed from property where such property, or part thereof, constitutes a home from which no income is derived.

6. Provision for the private investigation of claims by magistrates.

The result, of course, has been a large increase of expense, which is shown in the table beneath.

—	Gross Payments on Account of Pensions	Population at End of Year (Thousands)	Cost per Head of Population	Estimated European Population eligible by Age and Residence (Thousands)	European Pensioners[1]	Percentage of Pensioners to those Pensionable
	1,000 £'s		*s.* *d.*			
Three months ended March 31, 1899	3	746	0 1	—	—	—
Year ended March 31, 1900 .	157	758	4 1	—	—	—
,, ,, 1901 .	197	772	5 1	26·5	11,307	42
,, ,, 1902 .	207	789	5 3	27·9	11,721	41
,, ,, 1903 .	210	814	5 2	29·3	11,589	39
,, ,, 1904 .	203	838	4 10	30·8	11,197	36
,, ,, 1905 .	195	864	4 6	32·0	11,138	35
,, ,, 1906 .	254	889	5 8	35·1	11,915	34
Estimates for current year .	350	—	—	—	—	—

[1] Other pensioners amounted in 1906 to 667.

No less than 82 per cent. of the pensioners, or 10,400 persons, are in receipt of the full pension; 1,300 more draw 20*l.* a year or over, but less than 26*l.*; about 500 receive between 15*l.* and 20*l.*; 250 receive between 10*l.* and 15*l.*; and a few more than 100 are paid less than 10*l.* The cost of administration was at first between 2,000*l.* and 3,000*l.* a year. It has now nearly reached 5,000*l.*, which is still very moderate. The value of the accumulated property held by pensioners has been returned as 500,000*l.*, which works out at about 28*l.* 12*s.* a head. This covers everything, including furniture and cash in hand. The earnings of pensioners for the same year (1905–6) just passed 100,000*l.*, being on an average 8*l.* 4*s.* per annum per head.[1]

New South Wales made a cautious approach to old-age pensions. In 1896 a Select Committee was appointed, and in the same year Lieut.-Col. J. C. Neild was appointed sole Commissioner to visit Great Britain and the European mainland and report upon pension schemes. His report was presented in 1898, and in it he pointed out how inferior were the methods of dealing with poverty in New South Wales as compared with those in England. The management of workhouses, classification of the inmates, and treatment of paupers were all superior in England. In New South Wales paupers of all classes, good, bad, and indifferent, from the moral point of view, were herded together as a rule in squalid surroundings, and no attempt was made to pick out the deserving but unfortunate and brighten their lives. The agitation

[1] Recent information has been obtained from the last annual return of the Old Age Pensions Department for New Zealand.

for old-age pensions under these conditions can readily be understood. The law of New South Wales came into force on July 1, 1901. From the first the maximum pension was placed as high as 26*l.* It is diminished by 1*l.* for every like amount of income over 26*l.* a year. Earnings up to 10*s.* a week do not affect pension rights, whereas in Victoria any earnings are taken into account when the pension is fixed. When husband and wife live together the maximum each can receive is 19*l.* 10*s.* The law contains a provision empowering officials to consider the cases of such poor between sixty and sixty-five as have been prevented from earning a living by sickness or accident. The regulation with regard to the amount of property applicants may own is on the same scale as it used to be in New Zealand before the Amendment Act of 1905, namely, a reduction of 1*l.* from the pension for every 15*l.* of property above 50*l.* Details as to pensioners and expenses are set forth below:—

Year ending June 30	Number of Pensioners on August 1	Payments for Month ending August 1	Appropriation for Year	Annual Expense per Head of Population
				s. *d.*
1902 . .	18,960	28·0	486	6 4
1903 . .	22,180	44·8	583	7 7
1904 . .	20,900	41·7	512	7 2
1905 . .	20,440	40·6	497	6 10
1906 . .	20,480	40·5	500	6 8

On December 1, 1905, the number of persons of sixty-five and over in New South Wales was 53,900, and of these about 87 per cent. were eligible for pensions. 44·2 per cent. of those eligible took the pension. They constituted 38·5 per cent. of the population of sixty-five and over. Those eligible

must have resided twenty-five years in the State and must possess certain other qualifications relating to good citizenship. All aliens, Australian aboriginals, and Asiatics are excluded.

The cost, it will be observed, has been reduced since 1902–3. Regulations were more stringently enforced as expenses promised to be, in the words of a State Treasurer in his budget speech, 'obviously more than the country could afford.' However, it would seem that the administration is not perfect, though indeed in the nature of things it would be difficult for it to be. Dr. Clarke writes in his report to the Bureau of Labour at Washington :—'Instances of flagrant impositions under the law, where well-to-do or even wealthy persons have foisted a parent upon the State for support, have been made public. Some of the offenders in this respect were officials drawing good salaries from the Government. It is proposed to force these persons to reimburse the State for the money so obtained. An abuse not specifically mentioned in New South Wales, but which has occurred in New Zealand, is for persons voluntarily to deprive themselves of their property in order to become State pensioners.' One of the most unpleasant incidents connected with the old-age destitution which entitles persons to the pension in the Australasian Colonies generally at the present time would seem to be the attempt to withhold assistance by children and other relatives who could afford to give help.

The Victorian Government, at the end of 1900, determined to introduce a temporary system of old-age pensions, to commence on the day of the proclamation of the Australian Commonwealth, January 1,

1901.[1] A Commission, which had been appointed in 1897, recommended the workhouse for the undeserving poor, and pensions that were not to raise the total income above 10*s.* as a maximum for the deserving. It was estimated that the cost of the pensions would be less than 100,000*l.* a year, if the pension age were fixed at sixty. Instead of acting upon this report, the Government drew up an Act, upon the general lines of the New Zealand Act which had just come into operation. The Act was a temporary measure to be in force for six months. Poor and deserving persons over sixty-five, and those under sixty-five who had had their health ruined by work in mines or in some hazardous or unhealthy trade, were to be eligible for a pension not exceeding 10*s.* a week, provided they fulfilled certain conditions. Sir George Turner estimated the cost for the half-year at 75,000*l.* It amounted to 131,000*l.*, and it appeared as if the immediate annual expense would be between 300,000*l.* and 500,000*l.* a year. This sum the colony could not afford, and when the permanent Act was drafted at the end of 1901, various precautions and reservations were introduced with the object of confining grants to the enfeebled and utterly necessitous. The maximum pension allowed now is 8*s.* a week, and the total income must not exceed 10*s.* a week. The maximum is reduced 6*d.* a week for every 10*l.* possessed by the pensioner. Relatives of the first degree must prove their inability to support the applicants before State aid is granted, and they may be ordered to do so. There is no similar provision in the laws of New

[1] The population of Victoria was 1,201,000 in 1901, and the number over sixty-five was 66,000.

Zealand and New South Wales. All the old pensions have been placed on the new basis. Further, an applicant must be a British subject by birth, or a naturalised subject of not less than six months standing; but all Chinese, Asiatics, and aborigines are excluded. Twenty years' residence in the colony is required as a qualification, five of which must have immediately preceded the application. A good record is strictly insisted upon. Under the amending Act of 1903 pensions are only granted after recommendations by the Commissioners, the amount being fixed by the Treasurer of the State. The cost has been as follows:—

Year ending June 30	1,000 £'s
1901 (last six months)	129
1902	292
1903	216
1904	205
1905 (first six months)	105

A comparison between the statistics for Victoria, New South Wales, and New Zealand, will be enlightening, especially in view of the fact that old-age pensions are most difficult to obtain in the first-named colony. The figures in the table below relate to the year 1904:—

—	Persons aged 65 Years and over (in Thousands)	Persons receiving Old-Age Pensions (in Thousands)	Percentage of Pensioners to those over 65	Annual Amount payable (in 1,000 £'s)
Victoria	67·5	11·4	17	198
New South Wales	52·2	20·9	40	498
New Zealand	87·5	11·9	32	201

The comparison is of somewhat mixed results as regulations differ, but it is significant. In proportion to population the cost in Victoria is less than a third of that in New South Wales, and little more than a

half that in New Zealand; in 1904 the maximum pensions were 8*s*. a week in Victoria, 10*s*. a week in New South Wales, and (approximately) 7*s*. in New Zealand. The last column but one in the table above displays striking contrasts which, with those already noted, are by no means wholly at the expense of the deserving poor in Victoria. An analysis of the position of those of sixty-five and over in Victoria in 1904 will not be uninstructive :—

Independent or provided for—	
Earning their own living	22,460
Members of Friendly Societies	2,500
Government pensioners (not ordinary old-age pensioners)	3,150
Possessed of independent means	3,270
Total	31,380
Dependent—	
Residing in Benevolent Institutions	3,000
Old-age pensioners	11,610
Dependent on relatives	21,410
Total dependent	36,020
Criminals	66
Total	67,460

The 22,000 earning their own living and the 21,400 dependent on relatives are particularly noticeable.

Specific power is given by constitution to the Federal Parliament of Australia to pass laws relating to old-age pensions. The arguments for Federal pensions are that administration would be simplified, that old residents in Australia, who had moved from one State to another, would not be excluded from pension benefits, and that the system would be extended.

A select committee of the House of Representatives of the Commonwealth of Australia collected some evidence upon the question by the examination of a few witnesses in 1904, and early in 1905 a Royal

Commission was appointed to inquire into the working of the Acts of New South Wales and Victoria and to report upon the probable cost and best form of old-age pensions for the Commonwealth. This commission, after examining sixty-four witnesses, unanimously recommends the adoption of an old-age pension scheme. It is proposed that applications should be made through a magistrate to a specially appointed commissioner, that pensions should be granted only to needy and reputable persons, and that contributions should be exacted, when possible, from husbands, wives, and children. A maximum of 10*s.* is suggested, payable usually from sixty-five years of age, with deductions in the case of those not entirely destitute to keep the total income to about 1*l.* a week.[1]

[1] Accounts of old-age pensions in the Australasian Colonies will be found in Mr. Reeves' *State Experiments in Australia and New Zealand*, the collection of papers on old-age pensions prepared for the Charity Organisation Society, and Mr. Fraser's paper published in the *Journal of the Federation of the Insurance Institutes of Great Britain and Ireland*, 1905, the Year Books of the Colonies and special returns, and Dr. V. S. Clarke's *Report on Labour Conditions in Australia* (Bulletin 56 of U.S.A. Bureau of Labour).

APPENDIX A TO CHAPTER VI

STATISTICS OF THE GERMAN SCHEME OF WORKMEN'S INSURANCE

Accident

ANNUAL AVERAGE NUMBER OF PERSONS INSURED UNDER THE GERMAN ACCIDENT INSURANCE LAWS[1]; AND NUMBERS OF PERSONS WHO SUSTAINED ACCIDENTS IN RESPECT OF WHICH COMPENSATION WAS ASSESSED UNDER SUCH LAWS, CLASSIFIED BY TRADES, FOR THE PERIOD 1900 TO 1904.

Calculated from figures given in the Third Abstract of Foreign Labour Statistics.

Group of Trades	Annual Average Number of Accidents resulting in			Total	Numbers Insured, in Thousands
	Death	Permanent Total Disablement	Permanent Partial, or Temporary Disablement		
Building trades—					
(*a*) Ordinary	1,053	155	10,558	11,766	1,482
(*b*) Insured with special institutions[2]	145	28	1,189	1,362	—
Mining (including smelting works at mines)	1,178	89	7,118	8,385	607
Quarrying	243	17	1,955	2,215	396
Metal, engineering, and shipbuilding	674	151	12,064	12,889	1,389

[1] The accidents entailing compensation under the German Accident Insurance Laws are those resulting in incapacity lasting more than thirteen weeks. The entire cost of accident insurance is borne by the employers. The number given as that of the persons insured is approximate only; persons employed in certain branches of the building trades [see note 2 below] are not included, it being found impossible to estimate their number; and some 1,500,000 persons, who are employed partly in agriculture and partly in some other industry, are counted twice over.

[2] Works carried out without the intervention of a regular building contractor.

ANNUAL AVERAGE NUMBER OF PERSONS INSURED, &c.—*continued.*

Group of Trades	Annual Average Number of Accidents resulting in			Total	Numbers Insured, in Thousands
	Death	Permanent Total Disablement	Permanent Partial, or Temporary Disablement		
Textile trades	100	23	2,369	2,492	793
Clothing trades	13	—	532	545	210
Railway service	489	216	2,211	2,916	365
Tramways	37	18	342	397	50
Driving of vehicles	210	13	1,453	1,676	85
Seafaring and fishing, &c.	123	2	295	420	61
Inland navigation	153	5	514	672	61
Postal and telegraph service	15	8	75	98	36
Agriculture and forestry	2,860	595	55,960	59,415	11,425
Printing trade	6	1	295	302	134
Paper-making	60	12	644	716	72
Paper-working	9	2	344	355	104
Wood-working trades	158	7	3,853	4,018	350
Chemical trades	113	20	1,236	1,369	168
Glass trade	16	3	291	310	75
Pottery trade	17	6	298	231	78
Brick and tile making	148	3	1,894	1,545	276
Corn milling	84	5	939	1,028	69
Food preparation	17	3	425	445	75
Butchers	18	1	834	853	73
Brewers and maltsters	120	31	1,303	1,454	104
Distilleries	31	5	331	367	46
Sugar manufacture	51	4	450	505	97
Tobacco manufacture	4	2	79	85	145
Gas and water works	31	5	291	327	52
Leather trades	26	12	380	418	67
Musical instruments making	3	1	128	132	39
Forwarding, warehousing, &c.	190	21	2,154	2,365	178
Chimney sweeps	6	3	20	29	6
Military stores and works department	7	5	159	171	37
Dredging, &c.	7	1	58	66	5
Employees of Local Authorities	20	13	298	331	78
Total	8,433	1,483	112,749	122,665	19,238

EXPENSES (IN THOUSAND £'S) OF INSURANCE AND RESERVE FUND OF INSURANCE OFFICES, 1890–1904.

Compiled from official sources. Quoted from the Third Annual Abstract of Foreign Labour Statistics.

—	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904
Expenses of Insurance :—															
Compensation for accidents, &c.	1,015	1,321	1,617	1,908	2,214	2,506	2,858	3,199	3,555	3,984	4,382	4,928	5,372	5,896	6,365
Inquiries in relation to compensation, &c.	34	44	52	60	71	85	96	104	114	126	138	150	166	186	208
Arbitration costs . .	20	25	27	32	34	40	44	47	49	53	56	59	84	87	89
Prevention of accidents .	18	23	23	28	33	39	51	57	61	60	68	75	79	52	57
General administration .	248	267	282	303	334	355	370	390	408	431	450	487	539	624	650
Credited to reserve fund .	631	655	687	616	518	396	250	88	24	20	14	561	709	776	848
Total expenses . .	1,962	2,334	2,688	2,947	3,204	3,421	3,669	3,886	4,211	4,624	5,058	6,261	6,949	7,620	8,212
Amount of reserve fund (at end of year)	2,806	3,555	4,297	5,045	5,706	6,277	6,725	6,807	6,866	6,955	7,059	7,592	8,291	9,055	9,915

Sickness

NUMBER OF PERSONS INSURED UNDER THE GERMAN SICKNESS INSURANCE LAWS,[1] NUMBER OF CASES AND DAYS OF SICKNESS AMONG SUCH PERSONS, AND RECEIPTS, EXPENDITURE, AND BALANCES OF THE SICKNESS INSURANCE FUNDS, 1890–1908.

Compiled from 'Statistisches Jahrbuch für das Deutsche Reich,' and from 'Die Krankenversicherung im Jahre 1908,' both published by the German Imperial Statistical Office. Quoted from the Third Annual Abstract of Foreign Labour Statistics.

—	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903
Number of persons insured (Thousands)	6,679	6,879	6,955	7,106	7,282	7,525	7,944	8,337	8,770	9,155	9,520	9,641	9,858	10,224
Number of cases of sickness (Thousands)	2,422	2,397	2,478	2,794	2,492	2,703	2,763	2,964	3,002	3,476	3,679	3,617	3,578	3,782
Number of days of sickness (Thousands)	39,176	40,798	42,756	46,199	43,686	46,470	47,608	51,513	53,201	60,406	64,916	66,682	67,377	71,726
Receipts.	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
Contributions of workpeople and employers, and entrance fees	4,562	4,837	4,963	5,315	5,575	5,869	6,332	6,774	7,262	7,735	8,302	8,567	9,039	9,677
Other receipts (including capital drawn out)	1,165	1,163	1,250	1,291	1,230	1,414	1,457	1,616	1,763	1,998	2,178	2,247	2,267	2,534
Total receipts	5,727	6,001	6,214	6,606	6,805	7,284	7,790	8,390	9,025	9,734	10,480	10,814	11,306	12,211
Expenditure (not including capital invested).														
Sick relief :—														
Doctors' fees	839	892	953	1,071	1,110	1,157	1,240	1,345	1,455	1,595	1,716	1,781	1,874	2,038
Medicine, &c. . . .	709	744	801	884	871	906	945	1,034	1,100	1,228	1,299	1,309	1,328	1,445
Sick allowances . . .	1,994	2,092	2,197	2,388	2,129	2,267	2,323	2,586	2,719	3,177	3,497	3,649	3,719	3,955
Maintenance in hospitals, &c.	659	746	759	853	867	909	976	1,057	1,127	1,264	1,379	1,426	1,467	1,602
Total sick relief . .	4,202	4,477	4,712	5,098	4,979	5,241	5,486	6,024	6,402	7,266	7,893	8,167	8,390	9,042
Other expenditure . .	433	463	510	579	597	603	626	672	741	818	932	994	1,027	1,219
Total expenditure . . .	4,635	4,941	5,223	5,678	5,576	5,844	6,112	6,696	7,144	8,084	8,825	9,162	9,417	10,261
Balance of funds .	Not stated	Not stated	Not stated	4,190	4,715	5,261	6,038	6,672	7,388	7,617	7,819	8,150	8,672	9,022

[1] The table relates to sickness insurance *other than that in force in relation to persons employed in mining and in smelting works at mines.* The number of persons insured in the Special Miners' Funds in 1890–1900 numbered (in thousands), 437, 459, 482, 480, 478, 480, 497, 529, 556, 584, and 636 respectively. The cost of sickness insurance is, as a rule, borne as to ⅔ by the workpeople, as to ⅓ by the employer.

Old Age and Infirmity.

AMOUNT OF PENSIONS AND OTHER GRANTS AND AVERAGE ANNUAL VALUE OF PENSIONS UNDER THE GERMAN OLD-AGE AND INFIRMITY INSURANCE LAW;[1] AND RECEIPTS, EXPENDITURE AND PROPERTY OF THE INSURANCE OFFICES AND FUNDS, IN 1900–1904.

Compiled from the sources stated on succeeding table. Quoted from the Third Annual Abstract of Foreign Labour Statistics.

—	1900	1901	1902	1903	1904
Pensions and Other Grants.	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
I. Pensions paid :—					
Old-age	1,311	Not stated	Not stated	Not stated	Not stated
Infirmity	2,678				
Sickness	32				
Total pensions	4,022	4,548	5,194	5,857	6,442
II. Premiums refunded :—					
To women marrying	246	Not stated	Not stated	Not stated	Not stated
To relatives of insured dying before receipt of pension	83				
To persons becoming entitled to accident pensions	·550				
Total premiums refunded	330	346	356	377	392
Total pensions and other grants	4,353	4,895	5,550	6,235	6,835
Contributions to above Pensions and Grants.					
By employers and workpeople	2,815	3,201	3,658	4,142	4,571
By the State	1,538	1,693	1,892	2,092	2,263
Average Annual Value of Pensions Granted in Each Year.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Old-age	7 5 6	7 10 5	7 13 0	7 15 5	7 17 2
Infirmity	7 2 0	7 6 4	7 9 9	7 12 3	7 15 2
Receipts (apart from State grants).	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
Premiums of employers and workpeople	6,438	6,740	6,949	7,313	7,704
Interest and rents	1,363	1,524	1,672	1,812	1,938
Other receipts	13	17	20	16	17
Total receipts	7,815	8,282	8,641	9,143	9,661
Expenditure (apart from State grants).					
On pensions	2,484	2,855	3,301	3,764	4,178
On premiums refunded	330	346	356	377	392
On medical treatment of invalids	278	356	452	495	545
On maintenance in Homes of Rest (in lieu of pension)	·755	2·25	3·65	7·3	12
Extraordinary expenditure (out of surplus funds)	3·5	9·67	13	20	24
On current administration	290	308	339	359	403
On collection of premiums and auditing	148	153	161	175	183
Other expenses	112	72	96	103	113
Total expenditure	3,650	4,104	4,725	5,303	5,855
Property at end of year	42,359	46,568	50,544	54,402	58,233

[1] With respect to the manner in which the funds for the purposes of this law are contributed, see footnote to following table and statement in the text of Chapter VI.

Amount of Pensions and other Grants, and Average Annual Value Laws[1]; and Receipts, Expenditure, Property and Liabilities

Compiled from 'Statistisches Jahrbuch für das Deutsche Reich,' and from Imperial Insurance Department. (Quoted from the

—	1891	1892
Part I.—Total Amount of Pensions and other Grants and		
Pensions and other Grants.	1,000 £'s	1,000 £'s
I. Pensions paid—		
Old age	765	1,053
Infirmity	—	67
Total pensions	765	1,121
II. Premiums refunded—		
To women marrying	—	—
To relatives of insured dying before receipt of pension	—	—
Total premiums refunded	—	—
Total pensions and other grants	765	1,121
Contributions to above Pensions and Grants.		
By employers and workpeople	462	672
By State subvention	302	448
Average Value of Pensions Granted in each Year.		£ s. d.
Old age	Not stated	6 7 4
Infirmity	Not stated	5 14 8
Part II.—Receipts, Expenditure, Property,		
Receipts (apart from State grants).	1,000 £'s	1,000 £'s
Premiums of employers and workpeople	4,444	4,436
Interest and rents	36	167
Other receipts	1·9	9
Total receipts	4,482	4,603
Expenditure (apart from State grants).		
On old-age pensions	452	615
On infirmity pensions	—	35
On pensions commuted	·02	·005
On premiums refunded	—	—
On medical treatment of invalids	·02	1·5
On current administration	112	132
On collection of premiums and auditing	60	73
Other expenses	16	23
Total expenditure	641	883
Property at end of year	3,837	7,594
Annual sums for which offices were liable at end of year in respect of pensions	Not stated	587

[1] The funds for the purposes of these Laws are contributed (I) by the State, which pays service in the Army or Navy, and (II) by the employers and workpeople in equal shares. The for old age and 405,337 for infirmity. There were also in force on that date 5,118 'Sick Pensions' persons who, though not incapacitated for life, have been so situated for twenty-six weeks, are

[2] The bulk of the insured belong to the District Insurance Offices.

OF PENSIONS UNDER THE GERMAN OLD-AGE AND INFIRMITY INSURANCE OF THE DISTRICT INSURANCE OFFICES, IN 1891–99.[2]

'Amtliche Nachrichten des Reichs Versicherungs-Amts,' published by the Third Annual Abstract of Foreign Labour Statistics.)

	1893	1894	1895	1896	1897	1898	1899
AVERAGE ANNUAL VALUE OF PENSIONS (*all Insurance Offices*).							
	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
	1,138	1,223	1,328	1,370	1,381	1,375	1,344
	264	508	776	1,055	1,369	1,738	2,141
	1,402	1,732	2,105	2,425	2,750	3,114	3,485
	—	—	7·9	73	129	173	205
	—	—	3	25	40	51	67
	—	—	11	98	169	224	272
	1,402	1,732	2,116	2,524	2,920	3,339	3,758
	839	1,039	1,275	1,568	1,840	2,127	2,411
	563	692	840	955	1,079	1,211	1,346
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
	6 9 5	6 5 7	6 11 10	6 13 5	6 15 10	6 18 0	7 1 7
	5 18 0	6 1 2	6 4 1	6 6 8	6 8 8	6 10 10	6 11 7
AND LIABILITIES (*District Insurance Offices*).[3]							
	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s	1,000 £'s
	4,494	4,636	4,767	5,075	5,233	5,469	5,915
	281	400	519	640	749	860	967
	10	29	48	9·6	11	11	12
	4,786	5,066	5,335	5,726	51,993	6,341	6,895
	666	718	781	809	814	817	799
	139	269	419	579	753	970	1,303
	·05	·05	·19	·075	·14	·25	·4
	—	—	10	95	164	219	265
	5	18	31	58	91	123	185
	131	143	160	169	180	201	217
	82	82	90	102	109	116	128
	24	26	33	36	40	43	48
	1,050	1,258	1,527	1,850	2,156	2,492	2,849
	11,260	15,215	19,083	23,031	26,948	30,905	35,076
	730	897	1,072	1,253	1,447	1,660	1,881

£2 10s. yearly to each pensioner besides paying the premiums of workmen during their period of number of permanent pensions in course of payment on January 1, 1901, was 593,809, viz. 188,472 granted since January 1, 1900, by virtue of Section 16 of the Law of July 13, 1899, under which accorded infirmity benefits for the remaining duration of their incapacity.

APPENDIX B TO CHAPTER VI

STATISTICS AND ESTIMATES AS TO PENSIONS PAID IN THE UNITED KINGDOM.

(Quoted from the Government publication Cd. 3618.)

—	Number of Pensioners	Amount given in Pensions in One Year	Average Annual Pension
		£	£
Army, Navy and Civil Service Pensions, year 1905-06	171,815 (about)	7,903,369 (about)	34 Military 50 Naval 94 Civil Service
Officers of Local Authorities and Police—			
England and Wales { Police and Others }	24,244	1,352,808	56
Scotland . . Police only	659	30,514	46
Ireland . . . { Police .	7,554	416,000 (about)	55
Ireland . . . { Others .	729	31,478	43
School Teachers—			
England and Wales . . .	3,352	92,313 [1]	28
Scotland	457 [2]	12,000 (about)	27
Ireland	2,020	67,020	33
Trade Unions (70) (United Kingdom)	13,383	256,754	19
[*Friendly Societies and Trade Unions—England and Wales*	*58,000* [3] *(estimated)*	?	?]
Pension and Almshouse Charities—			
England and Wales . . .	25,000 (estimated)	370,000 (estimated)	15
Scotland . . . . }	No information		
Ireland . . . . }			
Total [3]	249,213	10,532,256	—

[1] This amount is not the amount given in one year, but is the sum of the amounts at the rate of which allowances were payable to the persons mentioned in the second column, being the number of persons in receipt of allowance, annuity, or pension at specified dates.

[2] Not including teachers receiving pensions awarded by School Boards from the local rates, as to whom no complete information is obtainable.

[3] The figure 58,000 is an estimate based on the results of the test census instituted by the Departmental Committee under Sir E. Hamilton, 1899. It is not included in the total (249,213).

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